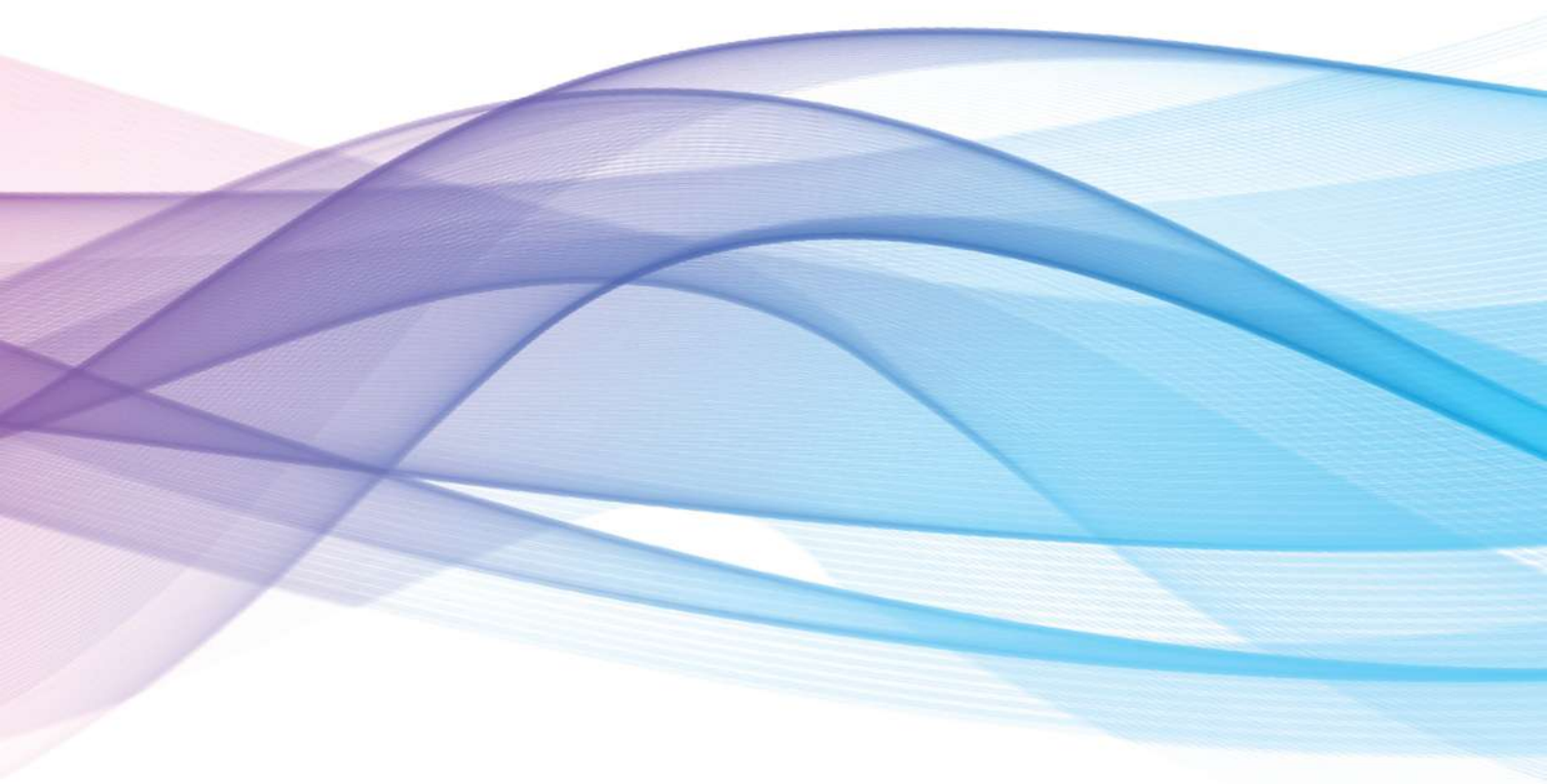




# ANNUAL REPORT **2021-22**







La Mirage Convention Centre, Thrissur



Signora Fabrics, Kattappana



Farmers Freshzone Pvt. Ltd., Ernakulam (Startup)



Genrobotic Innovations Pvt. Ltd., Thiruvananthapuram (Startup)



Ailbi Global Pvt. Ltd., Thiruvananthapuram (Startup)



Chemilite Coatings Pvt. Ltd, Kollam



Bio Ingredia Natural Pvt. Ltd, Palakkad



Vagamon Breeze Valley, Kottayam





# ANNUAL REPORT **2021-22**

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**GOVERNMENT OF KERALA**



**Pinarayi Vijayan**  
**CHIEF MINISTER**

I am happy to note that the Kerala Financial Corporation continues to perform well even though our economy is under severe stress due to the COVID-19 pandemic.

It is noteworthy that through special schemes like the Chief Minister's Entrepreneurship Development Programme and schemes for Startups, KFC continues to reach out to a larger section of the people.

I hope that KFC will continue its role in supporting MSMEs and Startups and identify new areas in which it can assist entrepreneurs as Kerala moves closer to its goal of becoming a knowledge economy and an innovation society. This will in turn push Kerala's economy to greater heights.

I extend my warm wishes to KFC and its customers.

A handwritten signature in black ink, likely of Pinarayi Vijayan.

Pinarayi Vijayan



# SKOCH AWARD

STATE-OWNED ENTERPRISE

SILVER

KERALA FINANCIAL CORPORATION

FOR

CHIEF MINISTER'S ENTREPRENEURSHIP  
DEVELOPMENT PROGRAMME

CONFERRED THIS HONEST INDEPENDENT HONOUR IN INDIA ON 12<sup>TH</sup> APRIL 2022 AT NEW DELHI

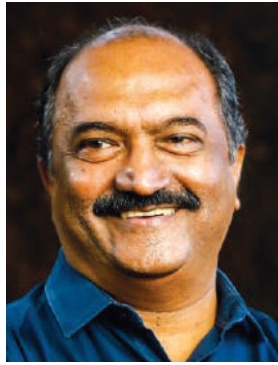


WWW.SKOCCH.IN

*Sameer Kochhar*  
SAMEER KOCHHAR  
CHAIRMAN, SKOCH GROUP



**GOVERNMENT OF KERALA**



**K N Balagopal**  
**Minister for Finance**

KFC is a trendsetter in the field of long-term finance, playing a major role in the development and industrialization of Kerala. The Corporation has now emerged as a financial supermarket giving its customers a wide range of products and services.

In spite of the stress due to COVID-19, the Corporation could improve its performance, during the FY 2020-21, in terms of portfolio growth, sanctions, disbursements, recovery etc. The Corporation could curb its NPA levels also.

I am happy to see that KFC has revamped its policies and procedures and also reduced interest rates further to support MSMEs during its pandemic time. As part of COVID-19 Relief package, the Corporation has recently announced three new loan schemes. 'Startup Kerala Scheme', Special scheme for units in Industrial Estates and the revamped Chief Minister's Entrepreneurship Scheme (CMEDP) for MSMEs.

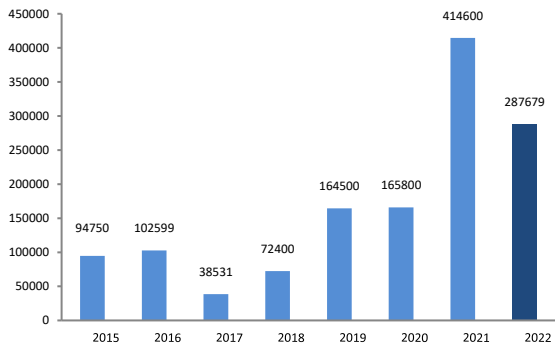
We are passing through a very difficult time in human history, collectively we will face and tide over this crisis period. I hope all the employees, customers and stakeholders of KFC, will strive for the developmental needs of our state.

K N Balagopal

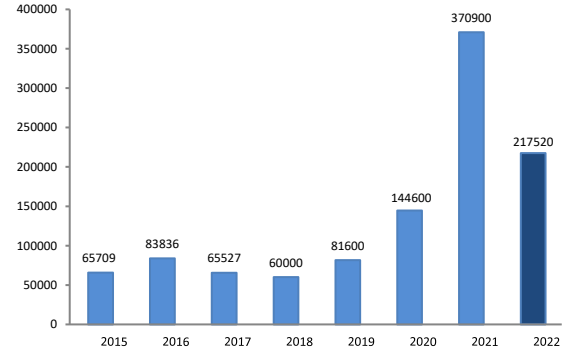
## FINANCIAL HIGHLIGHTS

₹ in Lakh

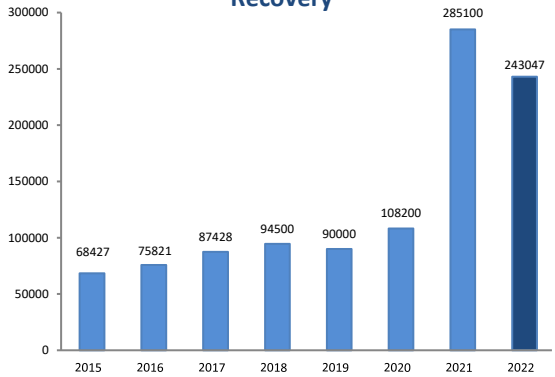
### Sanctions



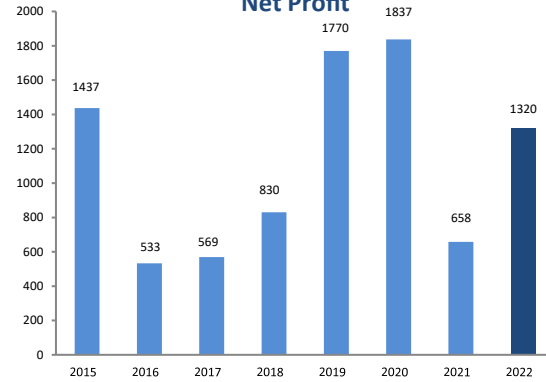
### Disbursement



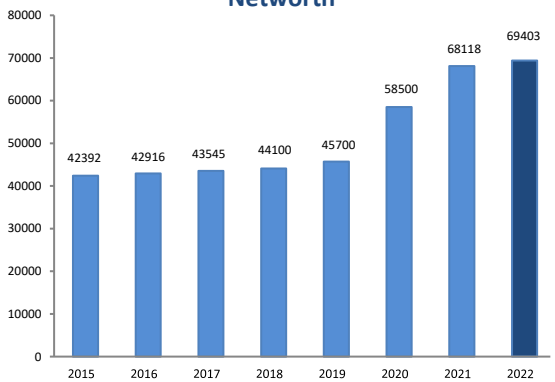
### Recovery



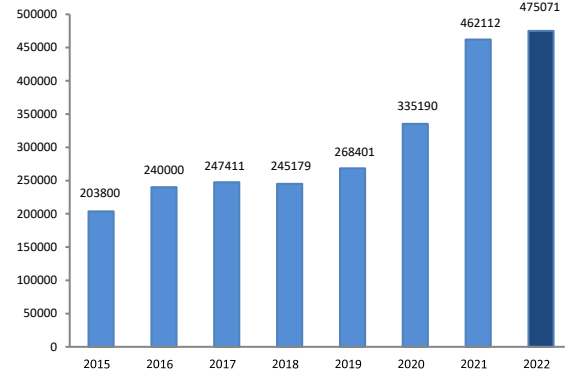
### Net Profit



### Network



### Portfolio





## BOARD OF DIRECTORS



Sri. Sanjay Kaul IAS  
Chairman & Managing Director



Sri.S Harikishore IAS  
Director of Industries &  
Commerce, Govt. of Kerala



Sri. E.K Harikumar  
Chief General Manager  
SBT (Rtd.)



Sri. Anilkumar Parameswaran  
Chartered Accountant



Shri.Seetharaman V  
General Manager, SBI



Smt. Deepa Sivadasan  
Senior Divisional Manager, LIC



Sri. T.Balaji  
Asst. General Manager, SIDBI  
(Till 28.09.2021)



Shri. Satyaki Rasotgi  
GM, SIDBI  
(Since 29.09.2021)



## **PRINCIPAL OFFICERS**

### **Executive Director**

Sri. Premnath Ravindranath

### **General Managers**

Sri. Ranjithkumar E R

Sri. Ajithkumar K

### **Deputy General Managers**

Sri. Adarsh R

Sri. Rajesh R

Sri. M Manisankar

Sri. Anil John Abraham

Sri. Prasad V

Sri. Radhakrishnan Nair M

### **Financial Controller**

Smt. Soya K

### **Statutory Auditor**

Krishnan Retna & Associates, Chartered Accountants

Thiruvananthapuram

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 69th Annual General Meeting (AGM) of the shareholders of Kerala Financial Corporation will be held at the Head Office of the Corporation, Vellayambalam, Thiruvananthapuram on Monday, June 20, 2022 at 11.00 AM to transact the following businesses:

1. To consider and adopt the Balance Sheet as at March 31, 2022 and the Profit & Loss account for the year ended March 31, 2022 of the Corporation, the Report of the Board of Directors on the working of the Corporation for the Financial Year 2021-22 and the Auditor's Report on the said Balance Sheet and Accounts.
2. To appoint Statutory Auditors of the Corporation for the Financial Year 2022-23 under Section 37 (1) of the SFC Act 1951.
3. To declare dividend



Place : Thiruvananthapuram,  
Date : 27.05.2022

By Order of the Board  
**PREMNATH RAVINDRANATH**  
Executive Director

### NOTES:

1. The Share Register of the Corporation shall remain closed and transfer of shares will be suspended from 13.06.2022 to 20.06.2022 (both days inclusive).
2. The form of proxy is enclosed.
3. Voting rights of the shareholders shall be determined in terms of the provisions under Section 4F of the State Financial Corporations Act, 1951.
4. Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person (whether a shareholder or not but not being an officer or employee of the Corporation) as his proxy to attend and vote instead of himself. No proxy shall be valid unless it is duly stamped and unless it, together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority certified by a notary public or a magistrate, is deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
5. A shareholder being a Company including Small Industries Bank, Public Sector Banks, Co-operative Banks, Co-operative Societies and LIC may, by a resolution of its Directors, authorise any of its officials or any other person (not being an officer or employee of the Corporation) to act as its representative at the meeting. The copy of the resolution appointing him as a duly authorised representative certified to be true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
6. The State Government may, by order in writing, authorise any of its officers, whether a Director of the Corporation or not, to act as its representative at the meeting. The copy of the order shall be deposited at the Head Office of the Corporation before the time fixed for the meeting.
7. The meeting shall be held, conducted, and the business thereat shall be transacted in adherence to the provisions of the State Financial Corporations Act 1951 (As amended up to date) and in terms of the provisions of the General Regulations of Kerala Financial Corporation.



### KERALA FINANCIAL CORPORATION

(Incorporated under the State Financial Corporations Act No. LXIII OF 1951 H.O: Aswathy, Vellayambalam, Thiruvananthapuram-695 033. Phone: 0471-2737500 Email: kfc@kfc.org Website: www.kfc.org)

### PROXY

I, We..... (folio No.) of..... being a share holder of the Kerala Financial Corporation holding shares Nos ..... hereby appoint Shri/Smt ..... of ..... (or failing him Shri/Smt ..... of ..... ) as my/our proxy to vote for me/us and on my/our behalf at a meeting of the shareholders of the Corporation to be held at ..... on the ..... day of ..... and at any adjournment thereof.

Signed this ..... day of .....

Signature  
of Rs.1/-  
Revenue  
Stamp



## DIRECTORS' REPORT

To

The Stakeholders

The Board of Directors is pleased to place before you the 69th Annual Report of Kerala Financial Corporation (KFC) along with the Audited Balance Sheet as at March 31, 2022, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2022. The performance highlights are also given in the Annual Report for the year 2021-22.

KFC incorporated under the State Financial Corporations Act of 1951, plays a major role in the development and industrialization of Kerala extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. The Corporation has been among the top SFCs in the country and has remodelled itself to become an institution that offers a bouquet of financial products and services to entrepreneurs at competitive terms with a customer friendly approach.

Though FY 2021-22 began with optimism in the context of the development of vaccines against Covid-19 pandemic, economic activity remained more or less subdued due to surge in infections in between resulting in localised and regional lockdowns. To avoid further financial distress and to ensure continued economic activity, Govt. of India and RBI took several initiatives like ECLGS, rejuvenation package for travel and tourism sector, PM SVANidhi Scheme, PMFME Scheme etc.

The Directorate of Economics and statistics projected a decline of almost 4% in Gross State Domestic Product (GSDP) of Kerala State for 2021. To mitigate this Govt. of Kerala announced various stimulus packages for economical revival including the Vyavasaya Bhadratha Scheme to revive MSMEs in the State. The State Govt. also announced the establishment of one lakh MSMEs in the year 2022 and has decided to transform the State to complete digitally administered State by 15th August 2022.

Despite the multiple challenges that the Corporation had to confront on account of the pandemic, the Corporation has established itself as a partner of choice for entrepreneurs. There have been sweeping changes in the policies and processes with renewed thrust to support MSME industry. The Corporation announced new loan schemes and extended relief measures to various sectors. The Corporation is also the nodal and implementing agency for several policy initiatives by the Government of Kerala. Despite the subdued general economic scenario, the Corporation has recorded a buoyant performance in terms of growth in loan portfolio, profitability and reduced NPA levels. The key performance indicators are Portfolio (up 2.80%) Profit (up 100.60%) and Gross NPA (down 8.66%). The performance is a reflection of the various reforms taken as a means of leveraging the business through reduction in interest rate, digitization for improved customer experience, productivity, revenue and quality of loan portfolio through continuous effort to come out with a wide range of products and services and innovative schemes.

Overall improved performance, comfortable capital adequacy, improved net worth, adequate liquidity position, reduction in NPA levels, higher provision coverage, etc. echo the financial discipline of the Corporation. Well Planned actions have helped in these achievements. The Corporation benefits from the strong support received from the Government of Kerala. Moreover the Corporation has sufficient infrastructure and resources to gear up and tackle the temporary disruptions. KFC will be providing financial assistance through more attractive packages especially to the tourism sector, MSME sector and Startups.

## PERFORMANCE OF THE CORPORATION

The performance highlights of the Corporation for the last two FYs are as given below:

₹ in Lakh

Key Parameters	2021-22	2020-21
Portfolio Size	4,75,071.41	4,62,112.51
Sanctions	2,87,678.86	4,14,648.56
Disbursements	2,17,520.16	3,70,921.22
Recovery	2,43,046.80	2,85,128.94
Interest Income	39,264.66	40,387.39
Total Income	51,816.81	49,094.29
Total Expenditure	42,634.65	46,193.18
Op. Profit before technical write off of bad debts	19,321.16	15,285.79
Op. Profit after technical write off of bad debts	9,182.16	2,901.12
Net Profit before Tax	3,501.07	1,282.98
Net profit after tax	1,319.80	657.93
Basic EPS (in Rs.) [face value Rs.100/-]	3.26	2.04
Diluted EPS (in Rs.) [face value Rs.100/-]	3.26	1.62
Net worth	69,403.17	68,118.22
Capital Adequacy Ratio %	22.41	22.85
Gross NPA as % of Gross Advances	3.27	3.58
Net NPA as % of Net Advances	1.28	1.48

## BUSINESS ACHIEVEMENTS

### Sanctions and Disbursements

During the year the Corporation took a conscious decision to rejig the existing portfolios to increase the support to MSMEs in the State without compromising on credit quality and pursuing stringent credit administration standards. The Corporation sanctioned financial assistance of Rs. 287678.86 Lakh during the FY 2021-22 as against Rs. 414648.56 Lakh during the previous FY. An amount of Rs. 217520.16 Lakh was disbursed during the FY 2021-22 as against Rs. 370921.22 Lakh during the previous FY.

### Recovery

The Corporation has a well-built monitoring mechanism for recovery. However, on account of the resurgence of Covid 3rd wave during May 2021, the Corporation took a liberal stand towards the customers who were struggling due to the pandemic and did not proceed with any coercive action including taking over of units under Sec 29 of SFC Act, and SARFAESI action. The Board of the Corporation in its meeting held on 12.08.2021 decided to conduct Covid Special Loan Settlement Adalat 2021 in order to reduce NPA and also to get maximum recovery from written off accounts. Out of 300 applications received, the Task Force Committee approved 275 cases and out of these approved cases, 130 cases were settled and total amount received for the year ending 31.03.2022 was Rs 8412.53 Lakh. The total recovery during the FY was Rs. 243046.80 Lakh as against Rs. 285128.94 Lakh during the previous year. Out of the total recovery, 9243.54 Lakh (Rs. 5600.93 Lakh in Previous year) was by way of compromise settlement and recovery from written off loans.

## Portfolio

The portfolio of the Corporation as on 31.03.2021 was Rs.462112.51 Lakh and reached Rs.475071.41Lakh as on 31.03.2022 thus registering a growth of 2.80% in spite of the unprecedented fall in economic activities due to the Covid-19 pandemic and consequent lock downs. The sector wise classification of Loans & Advances as on March 31, 2022 is furnished below.

₹ in Lakh

	Sector	As on 31.03.2022			As on 31.03.2021		
		No	Amount	%	No	Amount	%
1	Manufacturing	2120	158451.23	33.35	2051	164640.17	35.63
2	Service	3957	286900.17	60.39	3734	261879.07	56.67
3	CRE	163	29720.01	6.26	200	35593.27	7.70
	<b>Total</b>	<b>6240</b>	<b>475071.41</b>		<b>5985</b>	<b>462112.51</b>	

## FINANCIAL PERFORMANCE

### Profit

The Corporation reported a total income of Rs.51816.81 Lakh during the year as against Rs.49094.29 Lakh during the FY 2020-21. The operating profit for the year under review increased by 216.50% to Rs.9182.16 Lakh as compared to Rs. 2901.12 Lakh during the previous year mainly due to higher recovery from technical write off assets. The Corporation has registered a Net profit of Rs.1319.80 Lakh as compared to Rs. 657.93 Lakh during the previous year.

### Dividend

The Board of Directors has proposed a dividend of Rs.0.25 per Equity share (0.25%) [(Previous year-Nil) for the year ended March 31, 2022, subject to the approval of the shareholders at the ensuing Annual General Meeting. As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs.0.53 Lakh will be transferred to Special reserve fund.

### Capital & Reserves

The Corporation's paid up capital as on March 31, 2022 is Rs.42650.43 Lakh. The capital plus reserves of the Corporation has moved up by 2.31% from Rs.67834.76 Lakh to Rs.69403.17 Lakh (comprising of paid-up equity capital of Rs.42650.43 Lakh and reserves of Rs.26752.74 Lakh).

### Shareholding pattern

The composition of shareholders as on March 31, 2022 is furnished below:

Shareholders	Amount (₹ in Lakh)	% of Shareholding
Government of Kerala	42026.94	98.538
SIDBI	613.33	1.438
LIC	7.10	0.017
SBI	2.10	0.005
Others	0.96	0.002
<b>Total</b>	<b>42650.43</b>	<b>100.00</b>

### The Capital to Risk Weighted Assets Ratio (CRAR)

The Capital to Risk Weighted Assets Ratio (CRAR) of the Corporation as on March 31, 2022 according to Basel III guidelines is 22.41% (22.85 % as on March 31, 2021). The Capital adequacy ratio after considering the impact of proposed dividend will be 22.38% as at March 31, 2022.



## Asset Quality

The Corporation gives utmost priority in maintaining the asset quality of the loan portfolio. As on 31.03.2022, the Standard assets stood at 96.73% of the loan portfolio. Despite the stress witnessed in the banking scenario on account of growing NPAs, the Corporation by strenuous recovery efforts and persistent monitoring has been successful in maintaining the Standard assets portfolio and reducing the Gross NPA to 3.27 % in March 2022 from 3.58% in the previous year. The net NPA stands at 1.28% in March 2022 as compared to 1.48% in the previous year. The Provision Coverage Ratio is maintained at a comfortable level of 76.94%.

## Key Business Initiatives

The Corporation has centralized and streamlined various operations and procedures with a view to focus and garner more business improving the top line as well as the bottom line performance. The standardization of processes and procedures has helped in scalability in line with business expansion in compliance with the regulatory and statutory requirements, enforcement of internal controls besides expeditious service to the customers. During the year, the Corporation has launched new products and services and also fine-tuned the existing loan schemes, services and processes to remain competitive. The key initiatives taken up during FY 2021-22 are given below:

- **Reduced Interest Rates.** The Corporation has reduced the rate of interest across all sectors w.e.f. 01.07.2021, in view of the stress faced by MSMEs due to COVID-19 pandemic, and the benefit has been passed on to all customers irrespective of their reset date. Where additional interest rates were charged due to the fair value-based earlier valuation policy/ restructuring done, the additional interests so charged were also credited in their concerned loan accounts.
- **20% additional COVID-19 Relief Loan to MSME, Healthcare and Hospitality Sector.** To meet the liquidity issues due to the second wave of COVID-19, 20% additional loans were provided to existing customers of the Corporation in the Hospitality, Travel & Tourism sectors.
- **Resolution of COVID-19 related stress of MSMEs.** Because of the uncertainties created by the second wave of the COVID-19 pandemic, the Corporation had extended the restructuring facility to existing loans in line with RBI guidelines.
- **Assistance to MSMEs in Healthcare to Fight COVID-19.** The second wave of the COVID-19 pandemic has created a shortage of lifesaving and personal protective equipment in the market. To encourage local production, a special loan scheme, 'KFC Assistance to MSMEs in Healthcare to Fight COVID-19' at a net interest rate of 7% pa was introduced.
- **Introduced External Valuation.** The Corporation has revamped its credit policies emphasizing viability-based funding and as a part of the same, the Corporation has empanelled qualified external technical valuers across Kerala for assessing the value of security properties as followed by Banks.
- **'Support MSMEs' Special Scheme for Assisting MSMEs located at Industrial Estates.** The main objective of the Corporation is to assist MSME units in the State. Since most of the good MSMEs are being established at Industrial Estates, a special loan product was introduced for assisting MSMEs located at Industrial Estates.
- **'Startup Kerala' - Comprehensive Scheme by KFC for Financing Startups.** The Corporation started a new scheme named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up to Venture Debt. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.100 lakh for Scaling up, subject to 90% of the project cost in each stage. The Loans are provided at the lowest interest rate of 5.6%. Further, there are provisions for easy finance for executing Purchase Orders, discounting Bills and also for availing Venture Debt up to Rs.1000 lakh. KFC assisted 26 Startups with Rs.2760.40 Lakh during the FY.
- **COVID Special Loan Settlement Adalath 2021.** The disruptions due to the COVID-19 pandemic had affected the recovery of the Corporation in general. To improve recovery, the Corporation conducted 'COVID Special Loan Settlement Adalath 2021' in the month of October-November 2021. A total of 300 applications were received under the Adalath. The Task Force Committee for Adalath (TFC) approved 275 cases amounting to Rs.26684.53 lakh. Out of the approved cases, 130 cases were settled as of 31.03.2022. The total amount collected as of 31.03.2022 is Rs.8412.53 Lakh.

- **Business Review Committees.** To fasten the credit delivery, Branch Office Level Committees were empowered to take credit decisions up to Rs.200 lakh. Appraisal hubs were set up at the Head Office level for speedy processing of large proposals. The loan documents and formalities for processing loans were simplified. All loan enquiries are accepted online and in-principle clearances are accorded within seven days.
- **Issuing Guarantees to execute Sub-Contract Works.** Considering the fact that most of the major contract works happening in Kerala are bagged by non-Kerala based large contracting firms and they sub-contract the works to Kerala based contractors, the Corporation decided to assist sub-contract works also including them in 'LoC only for Government Contractors' scheme.
- **LoC Scheme for MSMEs.** Even though a lot of funding opportunities are available now, MSMEs are still facing constraints in obtaining adequate finance, particularly in terms of finding funds to execute the work orders and also to convert their bill receivables into liquid funds. To ease the liquidity position of MSMEs, MSMEs are included in the LoC Scheme to assist them in executing the Work Orders, Discounting pending Bills, etc.
- **Chief Minister's Entrepreneurship Development Programme (CMEDP) Edition II.** The existing 'CM's Entrepreneurship Development Programme' was revised and the loan amount increased to Rs.100 lakh from Rs.50 lakh and the interest rate was reduced to 5% from 7%. During the year, the Corporation has sanctioned assistance worth Rs. 11308 Lakh to 224 units and disbursed Rs. 3996.66 Lakh under this scheme.
- **Revision of Asset Coverage Ratio Norms.** To attract good entrepreneurs, by switching over to viability and cash flow-based funding, the minimum Asset Coverage Ratio (ACR) norms for MSME sectors were revised. The ACR for MSMEs in the manufacturing sector was reduced to 1 (from 1.40 times) and service sector to 1.50 times (from 1.75 times). It was also decided to fix the minimum collateral security requirements for non-fund-based limits to external credit rating, starting at 25% collateral for external Credit Rating above CRISIL 'A'/'SME3' or its equivalent.
- **Including Corporates as Work Issuing Authorities for LoC Schemes.** The Corporation was providing facilities to Contractors and MSMEs for executing Government works and discounting Government bills only so far. Considering the changing business scenario, it was decided to include 'Corporates' also as Work Issuing Authorities for LoC schemes.
- **Limit of accommodation.** The State Government, vide GO (MS) No.23/2022/Fin dated 03.02.2022, have appointed KFC as an agent of the State Government, under Section 25 1(e) of State Financial Corporation's (SFCs) Act 1951, for providing financial assistance up to Rs.50 crore to Industrial Concerns, MSMEs and State PSUs. The upper cap for Bill Discounting for all entities was increased to Rs.5000 lakh and the Bills Discounted are shown separately in the financial statements of the Corporation.
- **Loan Schemes for the Revival of potentially Viable Sick Units and revitalizing MSMEs.** MSMEs suffer the most in situations, especially from discontinuity of business, which they normally are not in a position to bear and become sick immediately. Revival of potentially viable MSME units which have already become sick is of the utmost importance from the point of view of the State economy, in view of the sector's contribution to the overall industrial production, exports and employment generation. Under this background, the Corporation launched two schemes, one for the revival of the sick, but potentially viable SME units and Asset-Backed Scheme to revitalize MSMEs.
- **Renovation of Head Office.** The renovation of the Head Office building of the Corporation to a modern style building is being undertaken. Destruction of old files was carried out as per the 'Policy on Preservation of Documents' approved by the Board.
- **Awards and Recognitions 2021-22**
  - SKOTCH National Award 2022 for CMEDP
  - FACT MKK Nayar Memorial Best Productivity Performance Award for Service Industries
  - Metro Food Best Financial Service Provider Award for Hospitality Sector

## IT Initiatives.

- **Electronic payment system.** KFC has enabled the electronic payment system for all its customers. 95% of the repayments are currently through online payment systems like Virtual accounts, Google pay, POS, etc.

- **e-Procurement.** The procurement of KFC is done through Govt e-Procurement portal, CPCRS Portal and GeM.
- **Loan Origination System.** The digitalization process of the entire loan journey by implementing the Loan Origination System (LOS) is in progress and will be completed by June 2022.
- **New Core Banking Software.** KFC has decided to move to Finacle, one of the leading Core Banking Solutions (CBS) of Infosys and the implementation will be completed by September 2022. KFC will be the first State Financial Corporation in the country to use Finacle as its CBS.
- **Working Capital arrangements with City Union Bank.** KFC entered MOU with City Union Bank (CUB) for Virtual Working Capital arrangements, by integrating the Core Banking Solution of KFC and CUB.
- **Digital Document Execution.** The process of Digital Document Execution (DDE) in KFC is going on and is expected to go live by September 2022. Customers can execute loan documents through NeSL platform where the loan documents will be sent to them through email and they can approve the same through Aadhaar based OTP
- **Digital Meetings.** KFC has digitalized Board Meetings and Sub-Committee meetings. All other committee meetings will be digitalized through the software this year. Agenda and minutes will be circulated digitally, making meetings entirely paperless.
- **Kerala MSME Bill Discounting Platform.** Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. An online software connecting KFC, Government Departments, PSUs and MSMEs under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations is being developed.
- **KFC Mobile App.** KFC has developed a mobile App for customers. The App is available at the play store. The App will be launched in June 2022.
- **Case Management System.** Implemented Case Management System developed by NIC.

## Resource mobilisation

- **LOC from Commercial Banks.** The Corporation availed Rs.129700 Lakh as Term loan/ Working Capital Demand Loan/ Foreign currency loan from various Commercial Banks/ Financial Institutions and repaid Rs.108289.99 Lakh during the FY 2021-22. The aggregate outstanding LOC from Banks and other Financial Institutions at the year end was Rs.354206.06 Lakh. The Corporation got a rating affirmation for Bank borrowings of BWR A during the year, signifying a stable outlook.
- **Non SLR Bonds.** The Corporation did not raise funds through bond issue during the FY 21-22. The aggregate outstanding Bonds at the year end was Rs.76137.50 Lakh. An amount of Rs.177.22 Lakh was paid to the State Government as Guarantee Commission for the outstanding bonds guaranteed by the State Government.

## Listing

The NCDs issued by the Corporation are listed in the Bombay Stock Exchange and the annual listing fees have been paid. The bonds issued without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2022 aggregate to Rs.76137.50 Lakh as given below.

₹ in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Asset Cover+	Maturity Date
1	14-Sep-20	7.70%	25000.00	25000.00	110%	14-Sep-30
2	09-Jul-19	8.99%	25000.00	25000.00	125%	09-Jul-26
3	04-Apr-18	8.69%	25000.00#	3637.50	125%	04-Apr-25
4	09-May-16	8.90%	25000.00#	12500.00	125%	09-May-23
5	06-Jun-13	8.72%*	20000.00#	10000.00	-	06-Jun-23
		TOTAL	120000.00	76137.50		

\* Issued with the Government guarantee

# Partial redemption done

+ Asset cover maintained as per issue terms (secured by receivables)



In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund' (REF) of Rs.11.37 lakh equal to 0.01% of the issue size was created w.e.f. 22.02.2021 as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22<sup>nd</sup> October 2020. As on 31<sup>st</sup> March 2022, the REF required is only Rs.7.62Lakh being 0.01% of Rs.76137.50 Lakh.

### **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**

The Corporation is a Member Lending Institution of CGTMSE which provides guarantee cover to collateral free loans up to Rs.50 Lakh. As on 31<sup>st</sup> March, 2022, 1455 accounts amounting to Rs.925.24 Lakh have been covered under the scheme.

### **Asset Liability Management (ALM)**

The Corporation's business operations, sources of funds and risk factors have widened, necessitating appropriate steps to effectively deal with fund management and resources planning. The Asset Liability Management Committee (ALCO) actively manage the liquidity and continuously monitor, measure and manage the risks confronting the Corporation. The Corporation's Asset Liability Management (ALM) is aimed at strategic planning, implementation, and control processes that affect the maturity, quality and liquidity of the Corporation's assets and liabilities, thereby ensuring that the returns are commensurate with the level of risk taken. The ALCO met 10 times during the year.

### **Risk Management**

Risk is an integral part of financial institutions. The Corporation has applied focused efforts in creating risk awareness culture and building a comprehensive framework for identification, measurement and management of all material risks and is continuing to do so to strengthen the risk governance framework.

### **ISO Certification**

The Quality Management Certificate was changed over to the new version IS/ ISO 9001-2015 by Bureau of Indian Standards (BIS) after conducting surveillance/ renewal audit. The current license is valid till 21<sup>st</sup> June, 2022. All the offices of the Corporation continue to hold the Quality Management System Certificate.

### **Audits**

The accounts of the Corporation are audited on a quarterly basis by the Statutory Auditors. Apart from internal audit, Concurrent Audit of branch operations is also done through reputed firms of Chartered Accountants on a monthly basis. Further, audit of compromise settlement sanctions of above Rs.25 Lakh are carried out as a prudent control mechanism and risk mitigation measure. A pre-disbursement audit for disbursements above Rs.100 Lakh is also in place. The Comptroller & Auditor General of India has completed audit of the accounts of the Corporation up to the FY 2020-21.

### **Statutory Auditors**

The shareholders at its 68<sup>th</sup> Annual General Meeting held on Aug 31<sup>st</sup> 2021, appointed M/s. Krishnan Retna & Associates, Chartered Accountants (ICAI Firm Registration No. 301003E/E300005), as Statutory Auditors of the Corporation for the audit of the Corporation's accounts for the year 2021-22. M/s Krishnan Retna & Associates, Chartered Accountants, vacates the office at the ensuing Annual General Meeting after completing 4 years.

### **Secretarial Audit and Secretarial Audit Report:**

As per Regulation 24A of SEBI (LODR), Regulations, 2015, SEBI Circular dated Feb 8<sup>th</sup>, 2019 & SEBI (LODR) (Fifth Amendment) Regulations, 2021 every listed entity shall undertake Secretarial Audit and the report has to be submitted within 60 days from the end of the financial year which shall be annexed to the Annual Report. As per the Fifth Amendment, KFC would be covered under High Value Debt Listed Entities (HVDLEs), and has time till 31<sup>st</sup> March 2023 to comply with the regulations fully. Hence it was decided to partially comply with the same for the year ended 31<sup>st</sup> March 2022.

### **Internal Financial Controls and its adequacy**

The Corporation has put in place extensive internal control measures and processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These

controls and processes are driven through various policies, procedures and certifications which are continuously reviewed, evaluated, and benchmarked against the best practices followed in the industry. Through continuous refinement and improvement of the internal inspection and vigilance system, the Corporation also ensures that internal controls are operating effectively.

## Corporate Social Responsibility (CSR)

The Corporation believes that contributing value back to the society is our responsibility and has started a number of initiatives by stepping out from the traditional operational area to the vast arena of Corporate Social Responsibility. The corporation is engaged in CSR activities through KFC CARE, a society formed by KFC with its employees, both existing and retired as the members.

## Participative Management

The Corporation believes in participative management. The rich experience of its officers can be fully utilized by increasing their participation in the decision making process. Realising this, extensive delegation has been given at different levels across the State at the Branch and Zonal levels. At the Head Office/ Zonal Office/ Branch Office, the committee concept is widely used and decision making has been transparent and consultative.

## Future Plans

The Corporation is committed to achieve its goals by focusing on the major areas like asset quality, profitability, resilient loan book, appropriate organizational structure, responsible corporate governance framework and robust and latest digital technology. The Corporation has set a target for FY 2022-23 to cross Rs.650000 Lakh mark in the Loan and Advances portfolio. The policies and systems are being constantly reviewed to focus on consolidating the existing loan portfolio, giving thrust on building up quality assets and also becoming more competitive through necessary business development efforts.

The brief action plans and strategies to be implemented are as follows.

- **Chief Minister's Entrepreneurship Development Programme (CMEDP).** The Government have implemented the 'Chief Ministers Entrepreneurship Development Programme (CMEDP)' through KFC targeting 500 MSME units every year, each generating at least ten direct and ten indirect employments, in addition to the promoters. Each of these enterprises is given financial assistance up to Rs.100 lakh at present at 5% annual interest including a 3% interest subvention from the Government. The upper loan limit of this subsidized loan will be enhanced to Rs.200 lakh.
- **Kerala MSME Bill Discounting Platform (KMBDP).** Discounting pending bills of MSMEs with State Government Departments/ PSUs will add liquidity to the MSME sector. KFC is nominated as the nodal agency for discounting the MSME bills pending with State Government Departments and PSUs. A comprehensive online software connecting KFC, Government Departments, PSUs and MSMEs will be developed under the brand 'Kerala MSME Bill Discounting Platform (KMBDP)' to automate the entire operations. Bills will be discounted on liberal terms and lower interest rates with a maximum credit period of 180 days.
- **Working Capital loans by KFC.** Scarcity of the working capital finance is one of the major problems confronting MSMEs of the State. Union Ministry of Micro, Small and Medium Enterprises have decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they are allowed to be registered on Udyam Registration. Hence, traders of the State having MSME Udyam registration will also be assisted under the Working Capital loan scheme of KFC.
- **Loans to Agriculture Sector.** KFC will formulate a special scheme to provide loans up to Rs.1000 lakh with an interest rate of 5% to encourage agri industries, agri-start-ups, processing/ marketing/ trading of agri-products, food processing units, Warehouse, godown, cold storage, logistics support, etc.
- **New Branches.** The loan portfolio of KFC will be doubled to Rs.10000 crore in the next two years. KFC has 16 branch offices across the State at present. With KFC getting into more products and sectors, the presence of KFC will have to be expanded to more places. The number of branch offices of KFC will be increased in a phased manner and KFC will open five new branch offices across the State this year.

## Corporate Governance

The Corporation is a Public Sector Undertaking under the State of Kerala committed to adopt best corporate governance practices by ensuring integrity in financial reporting, disclosure of material information, improvement of internal controls. We believe that effective corporate governance is not just a requirement for regulatory compliance, but also a facilitator for the enhancement of stakeholder's value. The Corporation follows the regulations laid down by SIDBI and State Government. The Corporation keeps adequate focus on Corporate governance to meet the requirements of different stakeholders and compliance with regulatory requirements and integrate them into its functioning. To facilitate this, the Corporation has a professional Board of Directors which plays a supervisory and advisory role.

The Corporation has been ensuring fairness, responsibility, accountability and transparency in all its dealings. Its Credit Policy, Loan Compromise Settlement Policy, Loan Monitoring and NPA Management Policy, Valuation Policy, Accounting Policy, Legal Guidelines, Internal Audit Policy and Concurrent Audit Manual, Interest and Rating Policy, IT Policy, Staff Welfare Policy, Staff Accountability Policy, Performance linked variable Incentive Policy, Business Continuity Policy, Investment Policy, Fixed Asset Policy etc. were all reviewed by the Board during the year and wherever required necessary amendments are being done. ISO procedures are scrupulously complied with.

The Corporation has designated State Public Information Officers, Assistant State Public Information Officers and Appellate Officers for the Head Office as well as the Branch Offices for giving reply under RTI. Time bound reply is given for all the petitions received under RTI. 85 applications were received during the financial year.

The Corporation has complied with provisions relating to the constitution of internal Complaints Committee under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Policy provides for protection against sexual harassment of women at the workplace and for prevention and redressal of such complaints. The Corporation received one complaint during the financial year. During FY 21-22, no frauds were reported. During the year there were no penalties or strictures imposed on the Corporation by the SEBI, BSE and/ or any other statutory authorities.

## Board of Directors:

The details of the Board of Directors and their attendance in meetings during the year 2021-22 are given below:

Name	Designation	Tenure	Meetings in FY 2021-22	
			Held during their tenure	Attended
Shri.Sanjay Kaul IAS, CMD	Chairman & Managing Director	01.06.2021 to till date	6	6
Shri.Tomin J Thachankary IPS, CMD	Chairman & Managing Director	07.09.2020 to 31.05.2021	0	0
Shri.Sanjay Kaul IAS, Director	Secretary, Finance (Expenditure)	20.05.2020 to till date	6	6
Shri.MG Rajamanickam IAS, Director	Director, Industries & Commerce	26.11.2020 to 14.06.2021	0	0
Smt.Bhandari Swagat Ranveerchand, Director	Director, Industries & Commerce	15.06.2021 to 11.08.2021	1	1
Shri.Harikishore IAS, Director	Director, Industries & Commerce	12.08.2021 to till date	5	1



Name	Designation	Tenure	Meetings in FY 2021-22	
			Held during their tenure	Attended
Shri.EK Harikumar, Director	Chief General Manager (Rtd), SBT	11.09.2017 to till date	6	4
Shri.Anilkumar Parameswaran, Director	Chartered Accountant	11.09.2017 to till date	6	6
Shri.Partha Sarathi Patra, Director	General Manager, SBI	15.07.2018 to 06.08.2021	1	1
Shri.Seetharaman V, Director	General Manager, SBI	07.08.2021 to till date	5	5
Shri.T Balaji, Director	Assistant General Manager, SIDBI	17.07.2019 to 28.09.2021	3	2
Shri.Satyaki Rastogi, Director	General Manager, SIDBI	29.09.2021 to till date	3	2
Smt.Deepa Sivadasan, Director	Senior Divisional Manager, LIC	06.06.2019 to till date	6	4

## Apex Committees

The Board of the Corporation met six times during the year on 15.06.2021, 12.08.2021, 23.09.2021, 11.11.2021, 29.12.2021 and 11.02.2022. The Board has Sub-Committees to oversee various functional aspects of business and operations of the Corporation. The Committees are Executive Committee, Audit Committee and Sub-Committee for Policy Revision etc.

The Executive Committee met thirteen times during the year on 31.05.2021, 03.06.2021, 02.08.2021, 12.08.2021, 16.09.2021, 19.11.2021, 02.12.2021, 30.12.2021, 22.02.2022, 03.03.2022, 16.03.2022, 24.03.2022 and 26.03.2022.

The Audit Committee met four times during the year on 02.08.2021, 11.11.2021, 08.02.2022 and 24.03.2022.

## Remuneration paid to Chairman & Managing Director

The total remuneration paid to Shri. Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2021-22 (01.04.2021 till 31.05.2021) was Rs.6.63 Lakh (Rs.22.13 Lakh in FY 20-21). No remuneration is paid to Shri. Sanjay Kaul, IAS, the present Chairman and Managing Director.

## Directors' Responsibility Statement

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities; and the Directors have prepared the annual accounts on a going concern basis.

To the best of the knowledge of the Directors and belief and according to the information and explanations obtained by them, your Directors make the following statements that:

- in the preparation of the annual accounts for the financial year ended March 31, 2022, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- such accounting policies as mentioned in the Notes to the Financial Statements, have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at March 31, 2022 and of the profit of the Corporation for the period;
- the applicable guidelines prescribed for SFCs have been followed and there has been no material departure.

Accrual method of accounting is followed for standard assets and cash basis for non-performing assets from 2005-06;

- d) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the SFC Act, 1951, Companies Act, 2013, SIDBI/ RBI Guidelines etc., for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
- e) the annual accounts for the financial year ended on March 31, 2022 have been prepared on a going concern basis;
- f) proper internal financial controls had been laid down and that such financial controls were adequate and were operating effectively;
- g) that proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively;

## Acknowledgements

The Board of Directors places on record its gratitude to Government of Kerala, SIDBI, Other Governmental Agencies and Departments, Reserve Bank of India, SEBI and all other statutory/ regulatory authorities for the strong support and guidance during the year. The Board also wishes to express gratitude to the Banks/ Financial Institutions, Rating agencies, Trustees and Stock Exchange for the continued support received. The Board takes this opportunity to put on record its deep sense of gratitude for the continued support, patronage and goodwill to its shareholders, customers and vendors and looks forward to their continued association in the years ahead. The Board takes great pleasure in recording its appreciation of the dedicated services rendered by the erstwhile Directors on the Board and the Officers and Staff of the Corporation.

For and on behalf of the Board

Sd/-

Chairman and Managing Director

Thiruvananthapuram  
26.05.2022

## INDEPENDENT AUDITOR'S REPORT

To

The Members  
 Kerala Financial Corporation  
 Thiruvananthapuram

### Opinion

We have audited the financial statements of Kerala Financial Corporation (herein referred to as KFC), which comprises of the Balance Sheet as at March 31, 2022, and the Profit and Loss Account and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the entity as at March 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the directives of SIDBI, State Financial Corporation Act and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

1. We have come across instances where valuation of immovable property given as security have not been done every three years and property value is not updated in the system.
2. We have come across instances where entire details of Insurance Policy such as Insurance Declared Value, Expiry Date, Lien clause etc. are not updated in the system and hence not available for complete verification.
3. The Corporation is in the practice of taking consolidated Trial balance for the preparation of financial statements. The operations and accounts of the Corporation are centralized with no branch level financials generated.
4. Attention is drawn to sub point 2 to point no 2.2 of Note no.20. Restructuring as per Resolution Framework 2.0 for the resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) has been given by way of multiple restructuring measures.
5. Refer Sub Point.4 of Point No.2.2 of Note No. 20. Though minimum provisioning norms have been made, there has been change in the Asset provisioning norms for Sub Standard category followed by KFC during the year under audit resulting in enhancement of overall provision by Rs. 309.32 lakh.
6. Accounting and reporting process of the Corporation is highly depended on Information system controls. We have observed data cleansing issues during the period of audit. We are of the opinion that there is an inherent risk that any control lapses, incorrect input data, ineffective data migration procedures and wrong extraction of data may result in the financial accounting and reporting records being misstated

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the aforesaid Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As per our Report of even date  
For M/s. Krishnan Retna & Associates



**Nikhil R Kumar**

Partner, M No: 231162

Place: Thiruvananthapuram  
Date: 26.05.2022

Ref : K-57/21-22/22  
UDIN : 22231162AJRSNA6187



## BALANCE SHEET AS AT 31.03.2022

₹ in Lakh

	Particulars	Note No.	As at 31.03.2022	As at 31.03.2021
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	1	42,650.43	42,650.43
	(b) Reserves and surplus	2	26,393.82	25,184.33
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	3	2,87,855.50	3,23,732.31
	(b) Other non current liabilities	4	963.16	1,008.85
	(c) Long-term provisions	5	17,319.68	13,869.06
<b>3</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	6	1,43,031.22	1,03,185.71
	(b) Other current liabilities	7	45,815.80	19,082.74
	(c) Short-term provisions	8	2,379.04	5,465.54
	<b>TOTAL</b>		<b>5,66,408.65</b>	<b>5,34,178.97</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	9	577.33	634.14
	(ii) Intangible Assets	9	157.04	260.09
	(b) Non-current investments	10	6,045.11	8,376.72
	(c) Other non-current assets	11	3,41,623.76	3,31,761.19
	(d) Deferred Tax Assets (net)		182.26	91.11
<b>2</b>	<b>Current assets</b>			
	(a) Current investments	12	23,970.22	26,822.07
	(b) Cash and cash equivalents	13	10,164.19	10,076.58
	(c) Other current assets	14	1,83,688.74	1,56,157.07
<b>3</b>	<b>Significant Accounting policies and Notes to Accounts</b>	20		
	<b>TOTAL</b>		<b>5,66,408.65</b>	<b>5,34,178.97</b>

For and on behalf of the Board of Directors



**Soya.K**  
Financial Controller



**Premnath Ravindranath**  
Executive Director



**Anil Kumar Parameswaran**  
Director



**Sanjay Kaul**  
Chairman & Managing Director

As per our report of even date  
For **M/s. Krishnan Retna & Associates**  
Chartered Accountants, Firm Reg No: 001536S



**Nikhil R Kumar**  
Partner, M No: 231162

Place: Thiruvananthapuram  
Date: 26.05.2022

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2022

₹ in Lakh

	Particulars	Note No.	for the year ended 31.03.2022	for the year ended 31.03.2021
<b>A</b>	<b>Continuing Operations</b>			
1	Revenue from operations	15	49,265.99	46,645.68
2	Other income	16	2,550.82	2,448.62
<b>3</b>	<b>Total revenue</b>		<b>51,816.81</b>	<b>49,094.30</b>
<b>4</b>	<b>Operating Expenses</b>			
	(a) Interest expenses	17	28,627.64	29,713.02
	(b) Employee benefits expenses	18	3,199.90	3,418.09
	(c) Administrative Expenses	19	454.36	394.28
	(d) Depreciation and amortisation expense		213.76	283.12
	(e) Bad debts written off		10,138.99	12,384.67
	<b>Total expenditure</b>		<b>42,634.65</b>	<b>46,193.18</b>
5	Operating Profit before exceptional and extraordinary items and tax		9,182.16	2,901.12
6	Operating Profit After exceptional and extraordinary items		9,182.16	2,901.12
7	Less: Provision for Bad and Doubtful debts / Other assets		5,681.10	1,618.13
<b>8</b>	<b>Profit before tax</b>		<b>3,501.06</b>	<b>1,282.99</b>
9	Tax expense:			
	Less: Current tax expense - (a) Provision for Income Tax		2,272.41	1,039.17
	(b) Provision for Deferred Tax		(91.15)	(414.11)
<b>B</b>	<b>Discontinuing operations</b>		-	-
<b>10</b>	<b>Net Profit after tax for the period</b>		<b>1,319.80</b>	<b>657.93</b>
<b>11</b>	<b>Earnings per share (Equity shares of Rs 100/- each):</b>			
	(a) Basic		3.26	2.04
	(b) Diluted		3.26	1.54
<b>C</b>	<b>Profit and loss appropriation</b>			
	Balance in Profit & Loss A/c b/f		13,127.07	12,669.62
	Net Profit for the year		1,319.80	657.93
	Total profit available for appropriation		14,446.87	13,327.54
	Less: TDS of previous years adjusted		238.81	
	Add: Income Tax provision written back		310.05	
	Total		14,518.11	13,327.54
	Less: Appropriations : Proposed Dividend		106.63	
	Transfer to Reserve u/s 36 (1) (viii)		505.39	200.47
	Balance Profit after appropriations		13,906.10	13,127.07
	<b>Balance Profit carried to Balance sheet</b>		<b>13,906.10</b>	<b>13,127.07</b>

For and on behalf of the Board of Directors

  
**Soya.K**  
Financial Controller

  
**Premnath Ravindranath**  
Executive Director

  
**Anil Kumar Parameswaran**  
Director

  
**Sanjay Kaul**  
Chairman & Managing Director

As per our report of even date  
For **M/s. Krishnan Retna & Associates**  
Chartered Accountants, Firm Reg No: 0015365



Place: Thiruvananthapuram  
Date: 26.05.2022

**Nikhil R Kumar**  
Partner, M No: 231162

## NOTES FORMING PART OF BALANCE SHEET AS AT 31.03.2022

	₹ in Lakh	
	As at 31.03.2022	As at 31.03.2021
<b>NOTE : 1</b>		
<b>SHARE CAPITAL</b>		
AUTHORISED CAPITAL		
<b>5,00,00,000 Equity shares of Rs.100/- each</b>	<b>50,000.00</b>	<b>50,000.00</b>
Issued, Subscribed and Fully Paid up Capital		
Ordinary Shares		
42210678 Equity shares of Rs.100/- each	42,210.68	42,210.68
Special Shares		
4,39,750 Equity shares of Rs.100/- each	439.75	439.75
<b>TOTAL</b>	<b>42,650.43</b>	<b>42,650.43</b>
<b>NOTE : 2</b>		
<b>RESERVES AND SURPLUS</b>		
(a) Spl. Reserve u/s 36(1)(viii) of IT Act, 1961		
As per last Balance Sheet	12,090.72	11,890.25
Added during the year	505.39	200.47
Total of (a)	12,596.11	12,090.72
(b) Spl. Reserve u/s 35(A) of SFCs Act, 1951	250.00	250.00
(c) Revaluation Reserve	14.21	14.21
(d) Deferred Premium on Forward Contract	(372.60)	(297.67)
(e) Profit & Loss Account	13,906.10	13,127.07
<b>TOTAL {(a)+(b)+(c)+(d)+(e)}</b>	<b>26,393.82</b>	<b>25,184.33</b>
<b>NOTE : 3</b>		
<b>LONG TERM BORROWINGS</b>		
<b>SECURED (Hypothecation of receivables)</b>		
Refinance from IIFCL	11,250.00	29,366.31
LoC from State Bank of India	55,951.68	55,951.50
LoC from Canara Bank	41,149.26	31,605.00
LoC from Union Bank of India	44,166.56	53,664.26
LoC from Bank of Maharashtra	32,410.00	4,750.00
LoC from Indian Bank	18,850.00	42,500.00
LoC from Bank of Baroda	19,678.00	27,897.75
Non-SLR Bond	59,400.00	67,997.50
<b>UNSECURED</b>		
Non-SLR Bond (Guaranteed by Government of Kerala)	5,000.00	10,000.00
<b>TOTAL</b>	<b>2,87,855.50</b>	<b>3,23,732.32</b>

		₹ in Lakh
	As at 31.03.2022	As at 31.03.2021
<b>NOTE: 4</b>		
<b>OTHER NON CURRENT LIABILITIES</b>		
Coconut Devp. Board Subsidy	662.55	803.15
Other Subsidy	152.60	139.13
Central Subsidy	11.00	11.00
Norka Subsidy	137.01	55.57
<b>TOTAL</b>	<b>963.16</b>	<b>1,008.85</b>
<b>NOTE: 5</b>		
<b>LONG TERM PROVISIONS</b>		
(a) Provision for Bad and Doubtful debts		
As per last Balance Sheet	13,869.06	13,770.93
Add: Provision made during the year	3,450.62	98.13
<b>Total of (a)</b>	<b>17,319.68</b>	<b>13,869.06</b>
<b>NOTE : 6</b>		
<b>SHORT TERM BORROWINGS</b>		
<b>SECURED BORROWINGS (Hypothecation of receivables)</b>		
Foreign Currency loan from State Bank of India	41,029.13	13,452.24
Short term loan from State Bank of India	24,999.97	0.69
Short term loan from Union Bank of India	6,000.00	10,000.00
Short term loan from HDFC Bank	92.77	93.83
Short term loan from Federal Bank	17,500.00	15,000.00
Short term loan from South Indian Bank	10,000.00	-
Non-SLR Bond (Current maturity)	6,737.50	6,250.00
<b>LOC FROM BANKS (Current maturity)</b>		
Loc from Union Bank of India	2,500.01	6,250.03
Loc from Canara Bank	5,555.56	8,400.00
Loc from Indian Bank	4,201.29	7,500.00
Loc from State Bank of India	0.00	7,550.00
Loc from Bank of Baroda	2,291.66	7,310.59
Loc from Bank of Maharashtra	40.00	1,250.00
Refinance from IIFCL	17,083.33	10,208.33
<b>UNSECURED BORROWINGS</b>		
Non-SLR Bond- Guaranteed by Government of Kerala (Current maturity)	5,000.00	9,920.00
<b>TOTAL</b>	<b>1,43,031.22</b>	<b>1,03,185.71</b>

	₹ in Lakh	
	As at 31.03.2022	As at 31.03.2021
<b>NOTE : 7</b>		
<b>OTHER CURRENT LIABILITIES</b>		
State Subsidy	98.42	79.77
RR Commission Payable	0.96	4.37
Earnest Money Deposit	4.10	8.60
Suspense Account	560.28	552.76
Tax Deducted at Source	0.49	2.85
Other Salary Deductions	0.17	0.00
Other Sundry Deposits	255.46	254.81
Gratuity Payable	2.10	23.46
Outstanding Expenses	938.64	866.38
Salary Payable	-	7.83
Accrued Interest on Non SLR Bonds	1,467.85	2,092.32
Accrued Interest on LOC from banks	633.30	929.23
Audit Fee Payable	2.61	2.61
Concurrent Audit Fee payable	8.54	5.90
Staff Dues Retained	0.00	52.64
Unclaimed Dividend	0.12	0.12
Commission Received in Advance	166.95	129.45
Leave encashment payable	0.00	3.86
Foreign Currency Payable	41,457.67	13,853.82
CGST Payable	33.22	16.47
SGST Payable	33.22	17.39
KF Cess, CGST & SGST TDS Payable	0.03	0.47
Excess Payable	151.67	177.62
<b>TOTAL</b>	<b>45,815.80</b>	<b>19,082.73</b>
<b>NOTE : 8</b>		
<b>SHORT TERM PROVISIONS</b>		
(a) Provision for Taxation:		
As per last Balance Sheet	5,465.54	4,426.37
Add : Provision made for the current year	2,272.41	1,039.17
Less : Adjusted against Advance Income Tax	5,155.49	0.00
: Excess Provision of earlier years written back	310.05	0.00
Total	2,272.41	5,465.54
(b) Proposed Dividend for the year	106.63	0.00
<b>TOTAL</b>	<b>2,379.04</b>	<b>5,465.54</b>



## NOTE : 9 FIXED ASSETS

₹ in Lakh

Particulars	Rate	Gross value as on 31-03-2021	Additions During First Half	Additions During Second Half	Additions During the Year	Deletions during the year	Gross value as on 31.03.2022	Depreciation upto 31-03-2021	Depreciation for the year	Depreciation upto 31.03.2022	WDV as on 31.03.2022
1	2	3			4	5	6	7	8	9	10
Land	0%	11.62	-	-	-	-	11.62	-	-	-	11.62
Building	10%	696.39	14.68	0.45	15.13	-	711.52	457.27	25.40	482.67	228.84
Motor Vehicle	15%	177.90	-	-	-	0.72	177.18	151.27	3.89	155.15	22.02
Electrical Fittings	10%	215.97	-	-	-	-	215.97	115.23	10.07	125.31	90.67
Air Conditioner	15%	52.23	4.28	1.26	5.54	-	57.77	39.18	2.69	41.88	15.89
Photocopier	15%	22.35	-	-	-	-	22.35	20.86	0.22	21.09	1.26
Computer	40%	505.75	1.69	1.65	3.34	-	509.08	391.68	46.63	438.31	70.77
Intangibles	40%	754.98	0.06	1.18	1.24	-	756.22	494.88	104.30	599.18	157.04
Other office Equipments	15%	126.43	20.08	0.61	20.69	-	147.12	59.15	13.15	72.30	74.82
Lift	15%	9.73	-	-	-	-	9.73	8.36	0.21	8.56	1.17
Furniture	10%	198.19	5.69	2.99	8.68	-	206.87	141.40	6.40	147.80	59.07
Solar Power Generator	40%	76.85	-	-	-	-	76.85	74.86	0.80	75.66	1.20
<b>Total</b>		<b>2,848.37</b>	<b>46.48</b>	<b>8.14</b>	<b>54.62</b>	<b>0.72</b>	<b>2,902.28</b>	<b>1,954.14</b>	<b>213.76</b>	<b>2,167.91</b>	<b>734.37</b>
<i>Total (Previous Year)</i>		<i>2,698.34</i>	<i>644.66</i>	<i>-</i>	<i>644.66</i>	<i>4.16</i>	<i>2,848.37</i>	<i>1,671.02</i>	<i>283.12</i>	<i>1,954.14</i>	<i>894.23</i>

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
<b>NOTE : 10</b>		
<b>NON CURRENT INVESTMENTS</b>		
Keltron Counters Ltd.	1.47	1.47
Kerala Spinners Ltd.	2.00	2.00
Vanjinad Leathers Ltd.	4.91	4.91
KITCO	14.50	14.50
India SME Asset Reconstruction Co.	35.00	35.00
Kerala Venture Capital Fund	66.00	66.00
Kerala Infrastructure Fund Management Ltd	2.56	2.56
Investment in NCD- RCFL	5,269.77	5,370.91
Investment in NCD- 7.74% SBI	2,301.79	2,301.79
Investment in NCD- 8.25% BOB	1,491.63	1,491.63
Investment in NCD- 8.80% Oriental Insurance	2,200.32	2,200.32
Sub Total	11,389.96	11,491.10
Less : Provision for diminution in value of investments	5,344.85	3,114.38
<b>TOTAL</b>	<b>6,045.11</b>	<b>8,376.72</b>
<b>NOTE : 11</b>		
<b>OTHER NON CURRENT ASSETS</b>		
Property Acquired in Satisfaction of Claims	400.34	400.34
House Loans to Employees	1,130.99	1,066.39
Conveyance Loan to Employees	136.28	113.85
Computer Loan to Employees	5.48	4.16
Personal Loan to Employees	111.13	94.09
Advance to Employees	15.44	22.18
Deposit with P&T	0.01	0.09
Other Deposits	82.97	86.36
Deposit with KSEB	11.53	13.17
Deposit against Staff Dues Retained	0.00	52.64
Interest Accrued on Staff Loans	724.35	682.83
GTI Advance	2.23	2.27
Advance for Fixed Assets	47.42	0.00
Loans and Advances (Principal due above 1 year)	3,38,955.59	3,29,222.81
<b>TOTAL</b>	<b>3,41,623.76</b>	<b>3,31,761.18</b>
<b>NOTE : 12</b>		
<b>CURRENT INVESTMENTS</b>		
Short Term Deposits with Banks	23,970.22	26,822.07
<b>TOTAL</b>	<b>23,970.22</b>	<b>26,822.07</b>
<b>NOTE : 13</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash in hand	0.41	0.48
Bank Accounts	10,163.78	10,076.10
<b>TOTAL</b>	<b>10,164.19</b>	<b>10,076.58</b>
<b>NOTE : 14</b>		
<b>OTHER CURRENT ASSETS</b>		
Advance Income Tax	3,173.45	6,295.94
Input Tax Credit	13.78	30.73
Income Tax Deducted at source	75.83	238.81

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
Stock of Stationery	0.00	0.00
Library	0.00	0.00
Rent Receivable	9.45	4.88
Prepaid Expenses	1.84	1.80
CGTMSE Fee	4.40	3.59
Subsidy Receivable from Govt	28.28	17.28
KSEDM Interest Receivable	17.88	113.29
Foreign Currency Receivable	40,485.99	13,497.78
Interest Accrued on Loans & Advances	2,611.51	1,998.75
Interest Accrued on STD with Banks	1,071.98	1,052.64
CMEDP & NORKA & KSUM Interest Receivable	78.54	11.89
Loans & Advances (Principal Due within one year)		
a) Bills purchased and discounted	10,648.15	61,211.57
b) Term Loans	1,25,467.66	71,678.12
<b>TOTAL</b>	<b>1,83,688.74</b>	<b>1,56,157.07</b>
<b>NOTE : 15</b>		
<b>REVENUE FROM OPERATIONS</b>		
Interest Received On Loans & Advances	39,957.62	41,047.50
Less : Interest rebate allowed on Loans	692.96	660.11
Net Interest Received On Loans & Advances	39,264.66	40,387.39
Loan Processing Fees	731.61	563.94
Recovery from written off loans	9,243.54	5,600.93
Switch over interest	3.50	7.35
Premium on pre-closure	22.68	86.06
<b>TOTAL</b>	<b>49,265.99</b>	<b>46,645.67</b>
<b>NOTE : 16</b>		
<b>OTHER INCOME</b>		
Interest on Staff Loans	105.64	97.13
Interest on Bank Deposits	1,923.10	2,083.65
Exchange gain on Forex	0.00	45.54
Other Income	360.22	91.12
Rent Received	83.90	64.75
Income from Insurance Agency	8.06	7.66
RTI Application Fee Received	0.01	0.01
Commission exchange and brokerage	69.90	58.75
<b>TOTAL</b>	<b>2,550.83</b>	<b>2,448.61</b>
<b>NOTE : 17</b>		
<b>INTEREST AND FUND EXPENSES</b>		
Interest on Bonds	6,943.10	9,165.15
Interest on Coconut Dev Board Subsidy	63.90	98.31
Interest on Line Of Credit from Banks	19,553.38	19,865.09
Guarantee Commission	177.22	264.76
Premium on Forward Contract	1,247.60	58.37
Exchange loss on Forex	588.68	0.00
Bond Issue Expenses	33.19	163.89
Share Issue Expenses	0.00	1.02
LOC Administrative Expenses	20.56	96.44
<b>TOTAL</b>	<b>28,627.63</b>	<b>29,713.02</b>

₹ in Lakh

	As at 31.03.2022	As at 31.03.2021
<b>NOTE : 18</b>		
<b>EMPLOYEE BENEFITS AND EXPENSES</b>		
Pay & Allowances	2,570.32	2,908.56
Contribution to Employees' P.F	166.41	199.06
Contribution to NPS	78.61	74.53
Group Gratuity Insurance	5.00	180.00
Group E/L Encashment Insurance	301.16	0.00
Group Term Insurance	1.53	1.73
Other Staff Expenses	76.87	54.20
<b>TOTAL</b>	<b>3,199.90</b>	<b>3,418.08</b>
<b>NOTE : 19</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Rent, Rates, Taxes & Insurance	115.85	130.63
Postage, courier and Telephone	30.40	24.14
Printing & Stationery	12.32	11.83
Vehicle Running & Maintenance	13.11	22.55
Repairs & Maintenance	35.60	30.61
Revenue Recovery expenses	60.80	18.36
Bank Charges and Commission	3.70	5.30
Audit Fees	2.61	2.61
Consultancy Charges	40.34	12.17
Legal Expenses	3.95	3.02
Books & Periodicals	1.31	1.88
Other Expenses	68.59	68.80
Travelling Expenses	3.10	4.43
Board / E.C. Meeting Expenses	0.53	2.61
Other Meeting Expenses	5.97	1.39
Concurrent Audit Fee	36.49	34.38
Advertisement and publicity	14.14	13.73
CMEDP Expenses	3.42	4.37
Business Development Expenses	2.12	1.46
<b>TOTAL</b>	<b>454.35</b>	<b>394.27</b>

For and on behalf of the Board of Directors


**Soya.K**  
 Financial Controller


**Premnath Ravindranath**  
 Executive Director


**Anil Kumar Parameswaran**  
 Director


**Sanjay Kaul**  
 Chairman & Managing Director

 As per our report of even date  
 For **M/s. Krishnan Retna & Associates**  
 Chartered Accountants, Firm Reg No: 0015365


**Nikhil R Kumar**  
 Partner, M No: 231162

 Place: Thiruvananthapuram  
 Date: 26.05.2022

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

### **CORPORATE INFORMATION**

The Kerala Financial Corporation is a State Financial Corporation having its area of operations in the state of Kerala and incorporated under the provisions of the State Financial Corporation Act, 1951. It was established as the Travancore Cochin Financial Corporation on 01.12.1953. Consequent to the reorganization of states on linguistic basis in November 1956, Kerala State was formed and the Travancore Cochin Financial Corporation was renamed as Kerala Financial Corporation. The Corporation is engaged in extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector in the state.

### **BASIS OF PREPARATION**

The Financial Statements of the Corporation have been prepared and presented under the historical cost convention and on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the statutory requirements prescribed under the State Financial Corporation Act, 1951, the circulars and guidelines issued by the SIDBI and Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and practices generally prevalent in the banking and financial sector in India. The Corporation has adopted the format of Schedule III to the Companies Act as amended by Notification G.S.R. 207(E), dated 24th March, 2021 to the extent applicable and Accounting standards issued by the Institute of Chartered Accountants of India, for better presentation of the financial statements.

The accounting policies adopted in the preparation of financial statements are in consistence with those of previous year except for the change in accounting policy, explained hereunder.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **1.1 . Uses of Estimates**

The preparation of the Financial Statements, in conformity with Indian GAAP requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

### **1.2. Revenue Recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. All the revenue items are accounted on accrual basis. Income is recognised on accrual basis on performing assets and on realisation basis in respect of non-performing assets as per the prudential norms on income recognition, asset classification and provisioning prescribed by RBI/SIDBI. The Corporation debits the monthly interest in all the loan accounts on the first day of the subsequent month. Interest due is calculated and charged to the party on gross basis and the eligible rebate is credited to the party on payment of dues in time subject to their rating and other factors determining the rate of rebate. The rebate for prompt payment is deducted from interest income for reporting in the financial statements. Interest accrued on standard loans is recognized as interest income in the financials at the end of the financial year and is reversed on the first day of the next financial year.

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However the commission in respect of the unexpired portion of the guarantee will be reversed at the end of the financial year. In case of completion/closure of facility before the specified tenure, corporation will reimburse the commission for the balance period, provided the commission for a minimum period of one year will be retained.

Recovery of loans and advances is appropriated first towards recovery of expenses, then towards interest and the balance, if any, towards principal. However, in the case of Compromise Settlement and sale of units taken over under the SFCs Act, 1951 and Revenue Recovery proceedings, the proceeds are apportioned first towards recovery of expenses and then towards principal amount and lastly towards interest, on satisfaction of the stipulated conditions. Recoveries from bad debts written-off are recognised in the Statement of Profit and Loss as revenue on receipt basis.



### 1.3. Investments

The classification and valuation of the securities and investments are done as per the Treasury & Investment Policy in compliance with the Indian Accounting Standards and as per applicable regulatory and statutory norms laid down from time to time. Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as Non-current investments.

Investments classified under Long term investments need not be marked to market and will be carried at acquisition cost on individual investment basis, unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity. Investments classified under Current Investments will be valued at lower of cost and fair value either on individual investment basis or by category of investment. The cost comprises of purchase price and directly attributable acquisition charges such as brokerage, fees and duties. The provision for diminution is made to recognise a decline, other than temporary, in the value of investments determined for each investment individually. Reduction in the carrying amount and reversals of such reductions are charged or credited to the profit and loss statement.

On disposal of an investment, the difference between carrying amount and net disposal proceeds are charged or credited to the profit and loss statement. Any amount received in future in respect of these investments will be credited to profit and loss statement. Interest, dividend or other receivables in connection with the investments are considered as income.

### 1.4. Loans and Advances

Advances are classified as performing and non-performing based on the RBI / SIDBI guidelines and are stated net of bad debts write-off. The provisions for possible losses on such advances are made at estimated rates which is equal to or more than the rates prescribed in the prudential norms, circulars and directives issued by RBI/SIDBI. The Current maturity of Loans & advances is classified as Other Current Assets (Note No.14) under the head Current Assets and the non current portion is classified as Other Non-current Assets (Note No.11) under the head Non Current Assets. The Current maturity of Long term borrowings is classified as Short term borrowings (Note No.6) under the head Current Liabilities and the non current portion is classified as Long term borrowings (Note No.3) under the head Non Current Liabilities.

The Corporation provides Fund based and Non fund based facilities to the customers. In case a non fund based limit becomes NPA, its fund based limit also will be considered as NPA. In the reverse scenario, where fund based limit becomes NPA then its non fund based limit is also categorised as NPA. However the non fund based limit will be live till the time it is invoked or cancelled.

Advances that are in Doubtful category are technically written off and charged to revenue to maintain asset quality. During the year, all the doubtful advances are technically written off and charged to revenue to maintain asset quality. Amount recovered against the bad debts written off in earlier years are recognised in the Profit and Loss Account as income of the year in which such amounts are received.

### 1.5. Provision

A provision is recognised when the Corporation has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and should be determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### 1.6. Provisioning Norms and Provision Coverage Ratio (PCR)

In conformity with the prudential norms, provisions are given on the basis of classification of assets as prescribed by RBI / SIDBI . The Corporation follows the policy of building up provisioning when the profits are good, which can be used for absorbing losses in a downturn. The provisions are made at such rates as recommended by ALCO with the approval of the Board.

General provisions are the minimum regulatory provisions as prescribed by RBI. Specific provisions are additional provisioning at rates higher than the rates prescribed by RBI. Floating provisions are provisions kept in addition to the Specific provisions and not used for making specific provisions or general provisions as per the extant prudential guidelines. It is used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts .

Provisioning Coverage Ratio (PCR) is the ratio of provisioning to gross non-performing assets and indicates the extent of funds the Corporation has kept aside to cover loan losses. PCR is calculated as per the guidelines given vide RBI circular DBOD.No.BP.BC.64/21.04.048/2009-10 dated December 1,2009 and circular no. DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21,2011.

The Corporation has the provisioning cushions consisting of general provisions, specific provisions as well as floating provisions, and are maintaining a total PCR including floating provisions, which is not less than 70 per cent.

Provision for standard advances are made at such rates subject to the minimum provisioning prescribed by the RBI / SIDBI guidelines for standard advances. Provisions for bad and doubtful debts are made in respect of non-performing advances based on overall portfolio quality, asset growth, economic conditions, Management's assessment and other risk factors subject to the minimum provisioning level prescribed by the RBI / SIDBI guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, is necessary. In case the specific provision available during a year is more than the required minimum or the ALCO recommended rates, the excess provision can be either written back or can be considered for that year as decided by ALCO. Floating provisions cannot be reversed by credit to the profit and loss account.

During the year the corporation has provided 0.25% for SME sector, 0.40% for Medium /Other sector and 1% for CRE sector for all standard advances and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines. A judicious provision of 62% (60% in FY 2020-21) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR is maintained above 70% at 76.94% as on 31<sup>st</sup> March 2022.

## 1.7. Taxes on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS). The tax rates and tax Laws used to compute the amounts will be those that are prescribed, at the reporting date. Deferred Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws prescribed at the reporting date.

Deferred tax assets including the unrecognized deferred tax assets, if any, at each reporting date, are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realized. Deferred tax liabilities are recognized for all taxable timing differences. No provision for Deferred Tax Liabilities on Special Reserve created as per Section 36(1) (viii) of the Income Tax Act, 1961 since the reserve created is of having no reasonable certainty that the same would be adjusted / withdrawn in foreseeable future years and the period of time for the difference to be evened out is also not ascertainable.

## 1.8. Employee Payments and Retirement Benefits

Short-term employee benefits are recognized as expense in the profit and loss account of the year in which the related service is rendered. Terminal benefits to employees include Provident Fund (PF) payments, leave encashment, and gratuity .

**Defined contribution plan:** Retirement benefit in the form of provident fund is a defined contribution plan wherein the contributions are charged to the Profit and Loss Account every year when the contributions to the fund are due and when services are rendered by the employees. The Corporation contributes 12% of Basic Pay+DA+Personal Pay to the Provident Fund which is administered by a duly constituted and approved independent trust by name KFC Employees Provident Fund Trust. The employees will be paid the balance outstanding in their PF account along with interest accumulated thereon at the date of superannuation. The Corporation has no obligation other than the contribution payable to the provident fund in this regard. The employees who joined after 01.04.2018 are not members of this Trust.

**Defined Benefit Plan:** The Corporation contributes towards gratuity fund administered by Life Insurance Corporation of India (LIC) for eligible employees and is covered under Group Gratuity scheme. The gratuity limit is fixed as per the Payment of Gratuity (Amendment) Act, 2018. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Corporation. Liability with regard to gratuity fund is accrued based on the actuarial valuation and demand raised by LIC .The premium is paid to LIC as demanded by them at the time of renewal of the scheme. The Corporation contributes towards the terminal encashment of earned leave to the employees under the Group Leave Encashment Scheme of LIC . The contribution to the fund is paid as per the actuarial valuation and demand raised by LIC. Under

both these schemes, the settlement obligations remain with the Corporation, although LIC administers the schemes and determine the contribution premium required to be paid by the Corporation as per the valuation done by LIC. The Corporation take an independent external actuarial valuation as on 31<sup>st</sup> March every year to ascertain the position of funds vis a vis liability. The shortfall if any in the funds shall be paid on the basis of actuarial report of LIC / external valuation whichever is less based on the fund position of the Corporation. The amounts paid to the funds are reckoned as expenditure for the concerned period. The Corporation is following this practice consistently during the past years and LIC has always met the liability in this regard. All the claims for the FY 2021-22 have been settled by LIC.

**National Pension Scheme:** This is a defined contribution scheme and is applicable to employees who joined the Corporation on or after 01.04.2018. 10% of Basic +DA + Personal Pay will be deducted from the employee's salary and an equivalent amount being the Corporation contribution will be credited to the NPS account of the employee on a monthly basis. They will not be eligible for employer PF contribution. The employees who joined before 01.04.2018 are given an option to contribute to NPS in three proportions. The Corporation contributes an amount equal to the contribution of employees and such contribution is charged to Profit and Loss Account.

## 1.9. Property, Plant & Equipment and Intangibles

In compliance with amended Schedule III requirements, Fixed Assets are renamed as 'Property plant and equipment and Intangibles'. The gross value of Intangibles, accumulated depreciation and depreciation till date are separately calculated and disclosed in 'Note 9 – Property Plant & Equipment and Intangibles'. The Land value of Rs.11.62 Lakh comprises of properties in the name of the Corporation. Fixed assets are stated at cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees, borrowing costs etc., if capitalization criteria are met and are directly attributable to the cost of bringing the asset to its working condition for the intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit / functioning capability from / of such assets. Any subsidy/ reimbursement/ contribution received for installation and acquisition of any fixed assets is shown as deduction in the year of receipt. Where the asset is acquired in piecemeal and payment is being made in installments, all such payments are debited to 'Advance for fixed assets. When the asset is put to use, the amount so accumulated in advance account is transferred to the respective Asset account.

Individual assets costing up to Rs.5000 and assets in the nature of electronic items up to the value of Rs.10,000 are charged to revenue in full in the year of purchase. Depreciation on fixed assets shall be provided for on written down value (WDV) method and at the rates prescribed under the IT Act, 1961. Computer includes computer software for reporting under the block Plant & machinery as per the IT Act, 1961. Hence Computer software is not shown separately under intangible assets. Depreciation on fixed assets added/disposed of during the year/period is provided on pro-rata basis (that is full depreciation for assets used for more than six months and half depreciation for others) with reference to the date of addition/disposal.

## 1.10. Contingent Liabilities and Assets

A disclosure of contingent liability on Balance sheet date is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or nonoccurrence of one or more uncertain future events not within the control of the Corporation; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Provisions and contingent liabilities are reviewed on each balance Sheet date. Contingent assets are neither recognized nor disclosed in the Balance Sheet.

## 1.11. Grants and subsidies

Grants and subsidies from Government and other agencies are accounted as per terms of respective agreements. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities and will be disposed subject to the satisfaction of terms and conditions thereof by the beneficiaries. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates.

### 1.12. Leases

Operating lease rent payments and receipts are recognized as expense and income respectively in the statement of profit and loss every month as and when accrued or paid/received. Actual lease payments made during the year, unexpired portion of contracted lease (future expected lease payments) and provision for contingent rent if any recognized in P&L are disclosed where the Corporation is a lessee. Actual lease rent receipts recognized during the year and unexpired portion of contracted lease (future expected lease receipts) if any are disclosed. As a matter of prudence, no contingent rent is recognized in the P&L where the Corporation is a lessor.

### 1.13. Prior Period Items

Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The nature and amount of prior period items are separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

### 1.14. Extraordinary Items

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Extraordinary items are disclosed in the statement of profit and loss as a part of net profit or loss for the period in a manner that its impact on current profit or loss can be perceived.

### 1.15. Special Reserve Fund

As per Section 35A of the SFC Act 1951, the SFC is required to establish a Special Reserve Fund to which shall be transferred such portion of the dividends accruing to State Government and the SIDBI on the shares of the SFC as may be fixed by agreement between State Government and SIDBI for being used for such purposes as are approved by the State Government and SIDBI. Accordingly a rate of 0.50% of the dividend accruing to State Government and SIDBI will be transferred to Special reserve fund under Section 35A of SFC Act 1951. However the dividends from FY 1991-1992 till FY 2018-19 were declared and paid without transferring 0.5% of dividend accruing to State Government and SIDBI to Special Reserve U/s 35A .

### 1.16. Dividend

Dividend is the share of profits that is payable to each shareholder of the Corporation. The dividend is paid out of current year profits only on the paid up capital. The Board recommend the percentage of dividend payable on the equity shares and the shareholders at the Annual general meeting pass a resolution adopting the recommendation or may lower the percentage recommended. The dividend proposed by the Board is provided for in the financial statements of the Corporation and is paid only after it has been passed at the Annual general meeting of the shareholders.

### 1.17. Resource Mobilization

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. The loans from Banks and other financial institutions are secured by charge on receivables as primary security for the loan. There are no other charges created on any of the assets of the Corporation on account of borrowings. The Corporation mobilizes funds from debt market also by issuing Rated, Listed, Redeemable, Taxable, Non Convertible Bonds with government guarantee or with credit enhancement mechanism without government guarantee.

These are accounted as Short Term Borrowings and Long Term Borrowings from Banks/ FIs and Non SLR Bond Issues. The Current maturity of Long term borrowings is classified as Short term borrowings under the head Current Liabilities and the noncurrent portion is classified as Long term borrowings under the head Non Current Liabilities.

### 1.18. Cash flow Statement

Cash Flow statement is prepared on indirect basis as per AS 3 issued by ICAI and is part of the Annual accounts. The cash flow statement report cash flows during the period classified by operating, investing and financing activities. The Non-SLR Bonds issued by the Corporation are considered as cash flow from financing activity.

### 1.19. Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its equity shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to equity shareholders and the weighted average number of equity shares outstanding adjusted for the effect of all dilutive potential equity shares, including advance for share capital.

## 2. NOTES FORMING PART OF ACCOUNTS

### 2.1 Share Capital

The State Government vide GO(Ms) No.215/2019/Fin dated 10.06.2019 accorded sanction to enhance the Authorized share capital of the Corporation from Rs.35000 Lakh to Rs.50000 Lakh without diluting Government shares below 74%. Consequently the Authorized capital of the Corporation is Rs.50000 Lakh and the paid up capital is Rs.42650.43 Lakh.

#### 1. The details of shareholders holding more than 5% shares as on 31.03.2022 are as under:

Name of the Shareholders	As at 31.03.2022		As at 31.03.2021	
	No. of shares in Lakh	% to total shares	No. of shares in Lakh	% to total shares
Government of Kerala	420.27	98.54	420.27	98.54

#### 2. The shares held by the promoters as on 31.03.2022 is given below in compliance with Schedule III requirements.

Shares held by promoters at the end of the year				% Change during the year
Sl.No	Name of Promoter	No. of shares in Lakh	% of total shares	
1	Government of Kerala	420.27	98.538	Nil
2	SIDBI	6.13	1.438	Nil
3	LIC	0.07	0.017	Nil
4	SBI	0.02	0.005	Nil
5	Others	0.01	0.002	Nil
	<b>Total</b>	<b>426.50</b>		

#### 3. Earnings per share

₹ in Lakh

Calculation of EPS		31.03.2022	31.03.2021
a.	Net profit including prior period items and extraordinary items after deducting current tax expenses (in Rupees)	1,391.04	657.93
b.	Number of Equity Shares outstanding (face value of Rs.100/- each)	426.50	426.50
<b>Basic earnings per share (a) / (b)</b>		<b>3.26</b>	<b>1.54</b>
c.	Number of Equity Shares outstanding (face value of Rs.100/- each)	426.50	426.50
<b>Diluted Earnings per share (a) / (c)</b>		<b>3.26</b>	<b>1.54</b>

### 2.2 Asset Classification and provisioning

#### 1. Classification of Loans and Advances & Borrowings

The bifurcation of Loans & Advances and Borrowings due within 1 year and above 1year is given below.

₹ in Lakh

Classification	Due within 1 year	Above 1 year	Total
<b>Loans &amp; Advances</b>	<b>136115.82</b>	<b>338955.59</b>	<b>475071.41</b>
a) Bills purchased and discounted	10648.16	-	10648.16
b) Term Loans	125467.66	338955.59	464423.25
<b>Borrowings</b>	<b>122602.08</b>	<b>308284.63</b>	<b>430886.71</b>

The asset category wise classification of loans and advances and provisioning is as below.

₹ in Lakh

Asset category	2021-22			2020-21		
	No	Loan Outstanding	Provision	No	Loan Outstanding	Provision
Standard	5596	459539.96	7665.37	5819	445560.5	3936.65
Sub Standard	644	15531.44	9654.32	166	16552.05	9,932.42
<b>Total</b>	<b>6240</b>	<b>475071.40</b>	<b>17319.69</b>	<b>5985</b>	<b>462112.5</b>	<b>13,869.07</b>
<b>Gross NPA</b>		<b>15531.44</b>	<b>3.27%</b>		<b>16,552.05</b>	<b>3.58%</b>
<b>Net NPA</b>		<b>5877.12</b>	<b>1.28%</b>		<b>6,619.64</b>	<b>1.48%</b>



## 2. Loans and Advances restructured

The general recessionary trends coupled with frequent lockdowns during the Covid-19 pandemic period affected the income generation and debt servicing of the customers of the Corporation. Sectors like Tourism, Commercial Real Estate etc were affected badly. The Corporation has extended relief measures like rehabilitation / rescheduling/ restructuring to borrowers eligible as per the Loan Monitoring Guidance Note (LMGN) approved by the Board. As per LMGN all loan assets in Standard, Substandard and Doubtful category are eligible for restructuring. Only Loss assets / No asset cases are not eligible.

Consequent to the outbreak of the COVID-19 pandemic, including the 'second wave' and third wave, lock down measures were enforced by the authorities at various levels from time to time which has affected the economic activity in the State and consequently, the operations of the Corporation as well.

The Corporation restructured 824 loan accounts as per RBI guidelines and classified under Standard category as follows. Additional provision of 5%/10% (minimum norms) amounting to Rs.6049.86 Lakh is kept in respect of these accounts as below.

The Board of the Corporation at its meeting held on June 15, 2021 decided to implement the resolution plan under Resolution framework for Covid-19 related stress as per RBI Circular dated May 5, 2021 (Resolution framework 2.0) for eligible units. Accordingly 694 loan accounts amounting to Rs.51235.53 Lakh have been restructured as per RBI guidelines and classified under Standard category. Additional provision of 10% (minimum norms) amounting to Rs.5123.55Lakh has been made on these loans.

Further in accordance with the COVID 19 pandemic resolution framework prescribed by RBI for Micro, Small and Medium (MSME) sector vide Circular no. DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020, the Corporation had restructured 130 loan accounts amounting to Rs.18526.19Lakh and classified under Standard category. Additional provision of 5% amounting to Rs.926.31 Lakh has been made on these loans.

Other than loans restructured on account of relief measures announced by RBI, the corporation has restructured 51 loan accounts amounting to Rs.4101.19 Lakh and are classified under Substandard category. Provisioning has been made at 62% amounting to Rs.2542.74 Lakh on these loan accounts. During the year there was no diminution in the fair value of restructured advances.

## 3. Bad debts Written Off

During the year the corporation has written off 72 loan accounts amounting to Rs.9959.09 Lakh as Bad Debts (technical write off to maintain asset quality) (262 accounts amounting to Rs.12139.55 Lakh written off during FY 2020-21). Further Rs.179.90 Lakh (Rs.245.12 Lakh during FY 20-21) were also written off and included in the Bad debts written off amount stated in the P&L Account. Thus the total write off during the year is Rs.10138.99 Lakh (Rs. 12384.67 Lakh in FY20-21). Constructive steps have been initiated for the recovery of these accounts and the amounts as and when recovered will be treated as revenue. Rs.9243.54 Lakh have been received as recovery from loans technically written off in earlier years (Rs.5600.93 Lakh during FY 2020-21).

## 4. Provisioning

The corporation has provided 0.25% for SME sector, 0.40% for Medium sector and 1% for CRE sector and thus provision made is in line with the minimum prescribed by the RBI / SIDBI guidelines for standard advances. For non performing assets, a judicious provision of 62% (60% in FY 2020-21) is made for all Substandard advances including secured portion of loans covered under CGTMSE. For the unsecured and uncovered portion of loans under CGTMSE, 100% provision is made. The total PCR works out to 76.94% as on 31<sup>st</sup> March 2022 (76.93% as on 31<sup>st</sup> March 2021) as per the RBI circular DBOD.No.BP.BC. 64 /21.04.048/2009-10 dated December 1, 2009 and Circular no. DBOD.No.BP. BC. 87/21.04.048 /2010-11 dated April 21, 2011.

### Provisioning Coverage Ratio (PCR) as on Mar 31, 2022

₹ in Lakh

1	2	3	4	5
Sl No	Particulars	Gross NPA Plus Technical / Prudential Write-off *	Specific Provisions held including provisions for diminution in fairvalue of the restructured accounts classified as NPAs plus Technical write off	Ratio of (4) to (3)
1	Sub-Standard Advances	15531.44	2385.24	15.36
2	Doubtful Advances (a+b+c)	9959.09	9959.09	100.00
	a < 1 year	9959.09	9959.09	100.00
	b 1-3 Years	0.00	0.00	0.00
	c >3 years	0.00	0.00	0.00

3	Advances classified as Loss Assets	0.00	0.00	0.00
4	Total	25490.53	12344.34	48.43
5	Floating Provisions for Advances (only to the extent they are not used as Tier II Capital)			7269.07
6	DICGC / ECGC claims received and held pending adjustment			0
7	Part payment received and kept in Suspense Account or any other similar account			0
8	Total (Sum of column 4 of Row 4+ Row 5+Row 6+ Row 7)			19613.41
9	Provision Coverage Ratio {(Row 8/ Total of Column 3 of Row 4)*100}			76.94

If the minimum provision required as per the RBI norms is made, the provision needed is only Rs.10050.61 Lakh, whereas the Corporation has provided an additional provision of Rs.7269.07 Lakh over and above the minimum RBI stipulated norms amounting to Rs.17319.69 Lakh.

- The corporation has provided Rs.1615.51 Lakh for all standard advances which is the minimum provision required as per the RBI / SIDBI guidelines.
- The Corporation has prudently made additional provision of 5%/10% (minimum norms) amounting to Rs.6049.86Lakh in respect of 824 loan accounts which are restructured as per RBI guidelines and classified under Standard category as mentioned in Note 2.2 (2) above.
- The provision made in respect of Sub standard category advances is Rs.9654.32 Lakh. During the year, all the doubtful advances amounting to Rs.9959.09 Lakh are technically written off and charged to revenue to maintain asset quality.

The total provision available during the FY was Rs.13869.06 Lakh and additional provision of Rs.3450.62 Lakh is made during this FY. The Operating profit before technical write off is Rs.19321.16 Lakh (Rs. 15285.79 Lakh during PY). The Operating profit after write off is Rs.9182.16 Lakh (Rs. 2901.12 Lakh during PY) and Net profit is Rs.1319.80 Lakh (Rs. 657.93 Lakh during PY). The Gross NPA and Net NPA as on March 31,2022 are 3.27% and 1.28% respectively as against 3.58% and 1.48% as on March 31,2021.

In accordance with the guidelines of RBI/SIDBI on asset classification, all loans and advances have been classified into Standard, Sub Standard and Doubtful Assets and provisioning is made as under.

Sl No	Category of Assets	Minimum provision required (%) as per RBI norms		Provision actually made (%) and amount			
				During FY 21-22		During FY 20-21	
		%	Amount (₹. In Lakh)	%	Amount (₹. In Lakh)	%	Amount (₹. In Lakh)
1	Standard Assets- Micro & Small	0.25	710.10	0.25	710.10	0.25	788.35
	Standard Assets- Medium	0.40	566.40	0.40	566.40	0.40	395.20
	Standard Assets- CRE	1	339.01	1	339.01	1	314.21
2	Additional provision for loans restructured as per RBI resolution framework for MSME sector vide Circular no. DOR.No.BP. BC /4/21.04.048/2020-21 dated August 6, 2020	5	926.31	5	926.31	5	1322.56

3	Additional provision for loans restructured as per RBI resolution framework 2.0 for Covid-19 related stress as per RBI Circular dated May 5, 2021	10	5123.55	10	5123.55	10	1116.33
4	Sub Standard Assets- FB limits	15	2290.52	62	9467.48	60	9925.31
	- NFB limits	15	0.00		0.00		0.00
	Sub Standard Assets- CGTMSE (Secured portion)	15	29.40	62	121.51	60	4.14
	Sub Standard Assets-CGTMSE (Un Secured portion)	100	65.33	100	65.33	100	2.96
5	Doubtful Assets ( up to 1 year)	25	NA	NA	NA	NA	NA
	<b>Total Provision made</b>		<b>10050.61</b>		<b>17319.69</b>		<b>13869.06</b>

### 5. Divergence in Asset Classification and Provisioning for NPAs

With reference to RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017, the divergence in asset classification and provisioning for NPAs for FY 2020-21 is given below.

₹ in Lakh

Sl No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2021 as reported by the Corporation	16552.05
2.	Gross NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	16552.05
3.	Divergence in Gross NPAs (2-1)	Nil
4.	Net NPAs as on March 31, 2021 as reported by the Corporation	6619.64
5.	Net NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	6619.64
6.	Divergence in Net NPAs (5-4)	Nil
7.	Provisions for NPAs as on March 31, 2021 as reported by Corporation	13869.06
8.	Provisions for NPAs as on March 31, 2021 as assessed by RBI/ SIDBI	13869.06
9.	Divergence in provisioning (8-7)	Nil
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2021	657.93
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2021 after taking into account the divergence in provisioning	657.93

### 6) Assets taken over under Section 29

During the year, 9 units having principal outstanding of Rs. 2110.36 Lakh were taken over u/S 29 of SFC Act, 1951. Subsequently 4 units were released to the promoters under custodial agreement and 6 units settled (including 2 units released ) during the year 2021-22.

### 7) Recovery under Adalath Schemes

The outbreak of Covid-19 pandemic had adversely affected the recovery of the Corporation. The Board of the Corporation at its meeting held on 12.08.2021 decided to conduct Covid Special Loan Settlement Adalat 2021 during September 2021 in order to reduce NPA and also to get maximum recovery from written off accounts. Total 300 applications were received. The Task Force Committee approved 275 cases and rejected 25 cases which were below norms. Out of 275 approved cases, 130 cases were settled and the total amount received for the year ending 31.03.2022 was Rs 8412.53 Lakh.

## 2.3 Projects with Subsidies

### a) KSEDMD

KSEDMD scheme was launched by Government of Kerala with KFC as the nodal agency to support young entrepreneurs in setting up new enterprises. The maximum eligible loan amount under this scheme was Rs.20 Lakh without any interest with a repayment period of 5years. The scheme was in operation from 2011 to 2017. The Corporation had received Rs.6211.03 Lakh from Govt. of Kerala for meeting the interest / expenses in connection with KSEDMD till FY 21-22. Rs.6228.91 Lakh has been spent till 31.03.2022 for the KSEDMD project. As on 31.03.2022, Rs.17.88 Lakh

is receivable from the government and is shown under the head KSED Interest receivable under Other Current assets. The Corporation has taken up with Government for providing the funds to meet the interest receivable and it is expected that the funds will be received during the FY 2022-23.

## **b) Chief Minister's Entrepreneurship Development Programme (CMEDP)**

### **i. CMEDP – Edition I**

The scarcity of capital and inadequate availability of credit facilities are the major problems confronted by small entrepreneurs. Under the above backdrop, Govt. of Kerala has launched a special scheme called Chief Minister's Entrepreneurship Development Programme (CMEDP). The Corporation is the nodal agency for the scheme. The scheme envisages a maximum loan amount of Rs. 50 Lakh with a repayment period upto 5 years at an interest rate of 7%, where 3% interest subvention is provided by Govt. of Kerala. During the year, the Corporation sanctioned assistance worth Rs. 1020.19 Lakh to 67 units and disbursed Rs. 734.12 Lakh to 58 units under this scheme. The CMEDP Edition I was withdrawn from November 2021 with the introduction of CMEDP Edition II.

### **ii. CMEDP – Edition II**

The existing 'CM's Entrepreneurship Development Programme' was revised to assist 500 MSME units every year and the loan amount was increased from Rs.50 lakh to Rs.100 lakh and the interest rate was reduced from 7% to 5%. During the year, the Corporation has sanctioned assistance worth Rs. 11308 Lakh to 224 units and disbursed Rs. 3996.66 Lakh under this scheme.

## **c) NORKA (NDPREM) scheme**

NORKA ROOTS has formulated 'Norka Department Project for Rehabilitation of Return Emigrants' (NDPREM) Scheme' for returned immigrants. They will be eligible for Capital subsidy of 15% of project cost and interest subvention of 3% by NORKA Roots. During the year, the Corporation disbursed Rs.266.82 Lakh to 54 units under this scheme. The Corporation has received a capital subsidy of Rs 137.01 lakh from NORKA Roots during the year.

## **d) Start up loans – Comprehensive Scheme for financing Start ups**

The Corporation started a new scheme named 'Startup Kerala' to assist Startups during all stages of their growth starting from Productization/ Commercialization/ Scaling Up to Venture Debt. The maximum assistance is Rs.25 lakh for productization, up to Rs.50 lakh for commercialization and up to Rs.100 lakh for Scaling up, subject to 90% of the project cost at each stage. The Loans are provided at an interest rate of 5.6%. Further, there are provisions for easy finance for executing Purchase Orders, discounting Bills and also for availing Venture Debt funding up to Rs.1000 lakh. During the year, the Corporation sanctioned Rs. 2760.40 lakhs to 26 startups.

## **2.4 Investments**

Out of the investments of Rs. 126.44 Lakh, provision for diminution in value of investments of Rs.74.38 Lakh have been provided for investments other than KITCO, Kerala Infrastructure Fund Management Ltd and India SME Asset Reconstruction Co., being the value of investment in respect of companies under liquidation. The Corporation has decided to divest the stake in India SME Asset Reconstruction Co at Rs.9.80 per share to Dhansamridhi Finance Pvt Ltd as per the divestment proposal put forth by SIDBI. Hence provision of Rs.0.70 Lakh is made for the investment in India SME Asset Reconstruction Co. For KITCO and Kerala Infrastructure Fund Management Ltd, the Corporation have valued the shares on the basis of latest available financial statements and found that the values are above book value.

The Corporation had invested Rs.6080 Lakh in April 2018 in Secured Redeemable NCDs as part of compliance of Non SLR Bond Issue Series 2018. However due to the crisis in NBFC sector, the corporation has not received the interest due in NCD after 30<sup>th</sup> March 2020. Hence as a prudent measure the Corporation had made a provision of 25% of the value of Investment from FY 2019-20 onwards. The Corporation received Rs.101.14 Lakh during the FY as part of prorata distribution of funds by the Company which has been reduced from the invested amount and 100% provision is made for the balance principal amount since the principal is due from April 2022 onwards.

## **2.5 Income Tax Assessments**

Income tax return is filed up to Assessment year 2021-22. Assessment have been completed up to Assessment year 2019-20. Appeals filed by the Corporation are pending before Commissioner (Appeals) for the Assessment

years 2009-10, 2012-13, 2013-14, 2014-15, 2016-17, 2018-19 and 2019-20. Appeals filed by the Department for the Assessment years 1999-2000 and 2002-03 before Income tax Appellate Tribunal have been remanded to Commissioner (Appeals).

## 2.6 Deferred Tax Liabilities

The break-up of deferred Tax Liabilities / Assets in to major components of the respective balances is as given below:-

₹ in Lakh

Particulars	As on 31.03.2021	For the FY 2021-22	As on 31.03.2022
On Depreciation	49.07	4.74	53.81
On income not received	-988.82	-154.77	-1143.59
On outstanding expenses	1030.87	241.17	1272.04
	<b>91.12</b>	<b>91.14</b>	<b>182.26</b>

## 2.7 Goods and Service Tax

### Service tax -

Service Tax was replaced by GST from July 2017. Litigations under Service Tax regime was settled through Sabka Vishwas Legacy Dispute Resolution Scheme (SVLDRS) except for OIO No.03/2018-19 dated 22.05.2018 and OIO No.09/ST(DC)/DIV/2021-22 dated 28.07.2021 with a demand of Rs.129.69 Lakh and Rs.61.06 Lakh respectively in the matter of taxability and availment of Input tax credit of Guarantee Commission paid to Government and taxability of reimbursement of salary and establishment cost to RR staff deputed to the Corporation. The matter is pending for decision with Commissioner (Appeals) for further orders.

### Goods and Service Tax (GST)

GST was implemented all over the country w.e.f 01.07.2017. All the indirect tax registrations of Branch offices and Head Office are brought under one common registration under GST and is managed centrally from Head Office. The Annual Returns under GST regime, GSTR 9 and GSTR 9C are filed till FY 2020-21.

## 2.8 Related Party Disclosures as per AS 18

### A. List of Related Parties

- Holding Company- NIL
- Subsidiary Companies- NIL
- Key Management Personnel – Sri Sanjay Kaul IAS, Chairman and Managing Director (from 01.06.2021 till date), Sri Tomin J Thachankary IPS, Chairman and Managing Director (from 07.09.2020 to 31.05.2021)

### B. Related party Transactions

The total remuneration paid to Sri Tomin J Thachankary IPS, Chairman and Managing Director during the financial year 2021-22 (for the period 01.04.2021 to 31.05.2021) is Rs.5.67 Lakh.

## 2.9 Impairment of Assets

The fixed assets are carried at written down value (WDV) consistently using appropriate depreciation rates. All other operating assets are carried at current / transaction value. In accordance with AS 28 – Impairment of Assets, an annual assessment was made on 31.03.2022, as to whether there is any indication that an asset or a class of assets is 'impaired' and since there were no incidences of such impairment indicators, no provision has been made.

## 2.10 Segment Reporting

The Corporation operates as a single unit with a single profit center and has concentrated its activity on term lending only as a single product.

### A) Primary Segment (The Business Segment)

The Corporation operates mainly in the business segment of providing financial assistance to MSME and other sectors. All other activities revolve around the main business. Further, all activities are carried out within Kerala. As such, there are no separate reportable segments as per the provisions of AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

### B) Secondary Segment (The Geographical Segment)

The area of operation of the Corporation is confined within the state of Kerala. As a result separate segment information for different geographical segments is not required.



## 2.11 Contingent liabilities

The contingent liabilities as on 31.03.2022 are estimated as under

- On account of Income Tax Rs.290.21 Lakh
- On account of suits filed against the Corporation Rs. 106.09 Lakh
- On account of Service Tax Rs.190.74 Lakh
- On account of guarantees issued on behalf of Government contractors in Kerala- Rs.5248.77 Lakh

## 2.12 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims amounting to Rs. 400.34 Lakh relates to M/s.Jayalakshmi Builders, Thiruvananthapuram and is retained as such. The acquisition was done in the financial year 2008-09 and accounted as recovery from NPA account in that financial year. This amount will not affect the current or previous year profits reported in the current financial statements. This asset is tested for impairment and found that the present realizable value is Rs.525.21 Lakh which is more than its book value. The Corporation has retained the amount in non-current assets expecting settlement and as an additional support to the claims.

The Corporation posted the unit for e-sale in the official web portal on 07.01.2021 and sale was confirmed to the highest bidder for Rs.599.99 Lakh. The last date for the sale remittance was 24.03.2021. Though the bidder remitted 25% of sale amount being Rs.155 Lakh, he did not remit any further amount and the sale was cancelled. As per the sale terms, if the amount is not remitted before the last date, the amount already remitted will be forfeited. The amount of Rs.155 Lakh so forfeited has been recognised as income of the current year.

## 2.13 Suspense Account

The amount outstanding in Suspense Account amounting to Rs.560.28 Lakh as on 31.03.2022 comprises of amount kept in suspense as unidentified credits received in loan accounts during year end, as per court orders, benefits to employees held back for want of details and amount to be refunded in respect of contractor loans. The balance amount lying in Suspense account as on date is being rectified.

## 2.14 Secured / Un-secured Loans.

The Corporation mobilizes resources from banks/ financial institutions as Term loan/ Working Capital Demand Loan/ Overdraft/ Foreign Currency Loan. During the year the Corporation availed loans amounting to Rs.129700 Lakh and repaid Rs.108289.99 Lakh. The loan outstanding as on 31.03.2022 is Rs.354206.06 Lakh out of which Rs.41029.13 Lakh is a foreign currency loan from SBI.

The Corporation availed Rs.40485.99 Lakh as Foreign currency loan from SBI for tenors ranging from of 6-7 months on a fully hedged basis. All transactions in foreign currency are recognized at the exchange rate prevailing on the date of the transaction. The premium amortised during the year ended March 31, 2022 is Rs 1247.60 Lakh (Rs.949.93 Lakh pertaining to the financial year ended March 31, 2022 and the unamortized premium of Rs.297.67 Lakh as on Mar 31,2021). The deferred premium as on March 31, 2022 is Rs.372.60 Lakh. The balance outstanding of Foreign Currency Loan as on 31st March 2022 reinstated at the closing rates of exchange notified by the Foreign Exchange Dealers' Association of India (FEDAI) as on 31st March 2022 is Rs. 41029.13 Lakh after adjusting the notional forex Loss of Rs.543.14 Lakh.

## 2.15 Non SLR Bonds

The Corporation has listed the following NCDs in the Bombay Stock Exchange and the annual listing fees has been paid. The bonds issued without Government guarantee are rated AA(SO) by two RBI / SEBI approved rating agencies. The Corporation remains the only PSU in the State, raising funds from the bond market, without Govt. guarantee. The total outstanding bonds of KFC as on 31.03.2022 aggregate to Rs.76137.50 as given below.

₹ in Lakh

Sl No	Issue Date	Coupon	Amount Issued	Amount Outstanding	Maturity Date	Credit Rating	Asset Cover <sup>+</sup>
1	14-Sep-20	7.70%	25000.00	25000.00	14-Sep-30	AA	110%
2	09-Jul-19	8.99%	25000.00	25000.00	09-Jul-26	AA	125%
3	04-Apr-18	8.69%	25000.00	3637.50	04-Apr-25	AA	125%
4	09-May-16	8.90%	25000.00	12500.00	09-May-23	AA	125%
5	06-Jun-13	8.72%*	20000.00	10000.00	06-Jun-23	A	-
		<b>TOTAL</b>	<b>120000.00</b>	<b>76137.50</b>			

\* Issued with Government guarantee

# Partial Redemption done

+ Asset cover maintained as per issue terms (secured by receivables)

In order to enable Debenture Trustees to take prompt action for enforcement of security in case of default in listed debt securities, a 'Recovery Expense Fund'(REF) equal to 0.01% of the issue size subject to maximum of Rs.25 Lakh shall be created, as per SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated 22<sup>nd</sup> October 2020 which shall be utilized in a manner decided by holders of securities in case of default. The provisions of this circular were made applicable w.e.f. January 2021 and accordingly the Corporation has deposited Rs.11.37 Lakh towards REF with BSE on 22<sup>nd</sup> February 2021. As on 31<sup>st</sup> March 2022, the REF required is only Rs.7.61 Lakh being 0.01% of Rs.76137.50 Lakh.

As per SEBI Circular SEBI/HO/DDHS/CIR/P/2018/144 dated 26th November 2018, Corporation would be considered as "Large Corporate" and shall raise not less than 25% of its incremental borrowings by way of issuance of debt securities over contiguous block of two years from FY 2022.

## 2.16 Employee Expenses

The total Employee benefits and expenses for the year amount to Rs.3199.90 Lakh (Rs.3418.09 Lakh during FY 20-21). This includes Employee Pay & Allowances for the year of Rs.2570.32 Lakh (Rs.2908.56 Lakh during FY 2020-21).

## 2.17 Employee Payments and Retirement Benefits

The Corporation contributes towards Group gratuity Scheme and Group Leave Encashment Scheme administered by Life Insurance Corporation of India (LIC) for eligible employees as per the actuarial valuation and demand raised by LIC and are reckoned as expenditure for the concerned period. The Fair value of the Plan assets and the Present value of obligations as at 31st March 2022 for both the schemes is as below.

₹ in Lakh

Particulars	PV of obligation	Fund value
Group gratuity Scheme	1196.17	1283.91
Group Leave Encashment Scheme	772.09	907.74

## 2.18 RR charges payable

The Corporation reimburses the remuneration paid by Government to Revenue Recovery staff who are officiating in the Corporation. The amounts have been paid for till FY 2013-14. Provision of Rs.846.40 Lakh has been made for the payment due from FY 2014-15 to FY 2020-21 as on 31.03.2021. The provision for the year 2021-22 is kept as Rs.60.80 Lakhs based on the calculations for last year. Hence as on 31.03.2022 the total amount provided is Rs.907.21 Lakh, break up is as below.

Year	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
₹ in Lakh	94.54	100.47	150.76	157.92	157	135.86	49.86	60.8	<b>907.21</b>

The establishment charges have not been paid as there is dispute in the calculations made by the Corporation and demand given by the Revenue Department.

## 2.19 Interest Income and rebate

The rebate to customers for prompt payment is deducted from interest income for reporting in the financial statements during the year. The interest received on loans and advances and Interest rebate extended on loans during FY 21-22 are Rs.40029.36 Lakh and Rs.696.87 Lakh and during FY 20-21 were Rs.41047.50 Lakh and Rs.660.11 Lakh respectively.

## 2.20 Commission on Performance guarantees issued

The commission on performance guarantee provided is collected upfront from the customers for the full tenure of guarantee period. However, the commission in respect of the unexpired portion of the guarantee is reversed at the year end. During the FY, total commission collected upfront from Performance guarantees issued (including extension of Performance guarantees issued in previous FYs) amounts to Rs 107.40 Lakh (Rs.98.72 Lakh during the FY 20-21), out of which Rs 18.44 Lakh pertains to this FY (Rs.25.37 Lakh during the FY 20-21) and Rs 88.96 Lakh (Rs. 73.35 Lakh during the FY 20-21) pertains to future FYs.

Out of the unexpired portion of Commission accounted during FY 2020-21 (Rs.73.35 Lakh), Rs.28.86 Lakh is recognized as income during this year and out of the unexpired portion of Commission accounted during FY 2019-20 (Rs.89.48 Lakh), Rs. 22.60 Lakh is recognized as income during this year. Thus, the total income recognised during the year is Rs.69.90 Lakh.

## 2.21 Ageing of trade payables and trade receivables

The Ageing of trade payables and trade receivables in compliance with amended Schedule III is NIL.

## 2.22 Provision for Income Tax

The income tax comprises of current and deferred tax. The provision for income tax is made as per the income tax rules and previous income tax assessments. The tax is calculated on income on receipt basis which is consistently followed by the corporation for the past years and the Income tax department also accepted the same for assessment purpose. The deferred tax assets and liabilities are recognised, for the expected tax consequences of temporary / timing differences between the depreciation, accrued income and expenditure.

Taxable income calculated as per IT Act	-	Rs. 9028.98 Lakh
Income tax thereon	-	Rs. 2272.41 Lakh

## 2.23 Dividend and Special Reserve Fund

The Board of Directors has proposed a dividend of Rs.0.25 per Equity share (0.25%) [(Previous year- Nil ) for the year ended March 31, 2022, subject to the approval of the shareholders at the ensuing Annual General Meeting. The Capital adequacy ratio after considering the impact of proposed dividend is 22.38% as at March 31, 2022.

As per Section 35A of the SFC Act 1951, 0.50% of the dividend accruing to State Government and SIDBI amounting to Rs.0.53 Lakh will be transferred to Special reserve fund.

## 2.24 Grants and Subsidies

The receipts in the nature of grants and subsidies received are utilized for the purpose for which the same is granted. The undisposed portion of subsidies to loanees with respect to State subsidy is kept as other current liabilities and all other subsidies like Coconut Development Board Subsidy, Norka Subsidy, Central Subsidy etc are shown as Non Current Liabilities. For back ended subsidies with 'lock in' period, interest credit is calculated during such period and is credited to the loan account of such beneficiaries at the applicable interest rates. The interest on Coconut Development Board Subsidy of Rs. 63.90 Lakh (Rs.98.31 Lakh during FY 20-21) is shown under the head Interest and fund expenses.

The Corporation allowed Compromise Settlement to M/s. DER Peoples Empowerment Company P Ltd, Kannur under the Loan Settlement Adalath dated 20.02.2020 for Rs.31.21 lakh. The promoters remitted Rs.20.21 lakh and the balance amount of Rs.11 Lakh will be received from the Government as State subsidy vide GO(MS)No.35/2022/Ind dated 28.04.2022 and is shown under the head Subsidy Receivable from Govt.

The Corporation had reduced the rate of interest of units in MSME, Hospitality and Health care sector by 1.50% during FY 2021-22 in view of the COVID-19 situation, in anticipation of interest subvention from the Government. The revenue loss on account of this reduction of interest rate during FY 2021-22 is Rs.1786 Lakh. The Government vide letter No.1829802/PU-A1/95/2021/Fin have requested to submit the proposal for considering release of interest subvention in the FY 2022-23. Accordingly, the Corporation has submitted the proposal and it is under the consideration of the Government.

## 2.25 Prior period items

There are no prior period adjustment made during this year .

## 2.26 Previous Year's Figures

Previous year's figures have been regrouped and reclassified for better presentation wherever found necessary.

For and on behalf of the Board of Directors

 <b>Soya.K</b> Financial Controller	 <b>Premnath Ravindranath</b> Executive Director	 <b>Anil Kumar Parameswaran</b> Director	 <b>Sanjay Kaul</b> Chairman & Managing Director
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As per our report of even date  
 For **M/s. Krishnan Retna & Associates**  
 Chartered Accountants, Firm Reg No: 001536S

Place: Thiruvananthapuram  
 Date: 26.05.2022

  
**Nikhil R Kumar**  
 Partner, M No: 231162

## NOTE: 21 DISCLOSURE REQUIREMENTS:

	(Amount ₹ in lakh)		
<b>A. Capital</b>	<b>2021-2022</b>		<b>2020-2021</b>
a) CRAR (%)	22.41		22.85
b) Risk Weighted Assets			
1) On Balance Sheet items	317396.67		304658.57
c) Share holding pattern as Balance Sheet date			
	<b>Amount</b>	<b>%</b>	<b>%</b>
1. Government of Kerala	42026.94	98.54	98.54
2. SIDBI	613.33	1.44	1.44
3. Commercial Banks, Insurance Cos. Pvt Shareholders etc.	10.16	0.02	0.02
<b>TOTAL</b>	<b>42650.43</b>	<b>100</b>	<b>100</b>
d) Net worth	69402.63		68118.22
<b>B. Asset Quality and Credit Concentration:</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
a) Gross NPA under the prescribed assets classification categories	15531.44	3.27	3.58
b) Net NPAs under the prescribed asset classification categories	5877.12	1.28	1.48
c) Provisions:	<b>2021-22</b>		<b>2020-21</b>
1. Provision for Standard Assets	7665.37		3936.65
2. Provision for NPA	9654.32		9932.42
3. Provision for Investments	5344.85		3114.38
4. Provision for Income Tax	2272.41		1039.17
5. Provision for Deferred Tax Liability	-91.15		-414.11
	<b>2021-22</b>	<b>2020-21</b>	<b>Variance</b>
d) Movement in Net NPA (%)	1.28	1.48	0.20

<b>C. Liquidity:</b>						(₹ in lakh)
a) Maturity pattern of Rupee assets.						
Items	Less than or equal to 1 year	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years up to 7 years	More than 7 years up to 10 years	Total
Total assets	136115.82	180832.52	111283.46	34486.50	12352.10	475071.40
Total Liabilities	122602.08	169432.51	103690.81	24618.17	10000.00	430343.56
<b>D. Operating Results:</b>					<b>2021-22</b>	<b>2020-21</b>
					<b>(₹ in lakh)</b>	
a) Interest income as a percentage to average working funds-					7.89	9.44
Interest Income					39,264.66	40,387.39
Average Working Funds					4,97,662.80	4,28,012.83
b) Non-interest income as a percentage to Average Working Funds-					2.52	2.03
Non-interest income					12,552.15	8,706.90
Average Working Funds					4,97,662.80	4,28,012.83
c) Operating Profit (+) / Loss (-) as a % to Average Working Funds-					1.85	0.68
Operating Profit (+) / Loss (-)					9,182.16	2,901.12
Average Working Funds					4,97,662.80	4,28,012.83
d) Return on Average Assets-					1.71	0.69
Returns (operating profit + depreciation)					9,395.92	3,184.24
Average Assets					5,50,293.80	4,60,109.67
e) Net profit (+) / Loss (-) per employee					6.70	3.43
No. of employees					197	192
Net profit (+) / Loss (-)					1,319.80	657.93

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2022

₹ in Lakh

FOR THE PERIOD	For the year ended 31.03.2022	For the Year ended 31.03.2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxes	3,501.07	1,282.98
Interest received on Fixed Deposits	(1,923.10)	(2,083.65)
Depreciation on fixed assets	213.76	283.12
Provision for Non Performing Assets/Other Assets	5,681.10	1,618.13
Share Issue Expenses	-	1.02
Premium on Forward Contract	(74.93)	(297.67)
Interest and other costs of Non-SLR Bond	7,174.07	9,690.24
<b>Adjustment for changes in operating assets and liabilities</b>		
Increase in Loans and Advances	(9,732.78)	(1,26,922.46)
Increase in borrowings from Banks	21,998.68	1,34,802.16
Decrease in Other Non-Current assets	5,863.95	39,599.90
Decrease in Other Current assets	(25,797.65)	(51,439.88)
Increase in Current liabilities	21,470.94	13,715.03
Increase in Other Non Current Liabilities	(284.49)	129.35
Less: Income tax paid	(1,734.00)	(700.00)
<b>Net cash from operating activities</b>	<b>26,356.62</b>	<b>19,678.27</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(54.62)	(154.20)
Sale of Fixed Assets	0.72	4.16
Investment in KIFM Ltd		(1.02)
<b>Net cash used in investing activities</b>	<b>(53.90)</b>	<b>(151.06)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Money received against Share Capital	0.00	9,000.00
Share Issue Expenses	0.00	(1.02)
Issue of Non SLR Bond	0.00	25,000.00
Redemption of Non-SLR Bond	(18,030.00)	(35,682.50)
Interest and other costs of Non-SLR Bond	(7,174.07)	(9,690.24)
Interest Received on Fixed Deposits	1,923.10	2,083.65
Net Investment in NCD	(5,993.74)	(5,993.74)
Proceeds from NCD	101.14	709.09
Net Deposit with Banks	2,851.85	(12,251.54)
Dividend	106.63	-
<b>Net cash used in financing activities</b>	<b>(26,215.09)</b>	<b>(26,826.30)</b>
Net increase in cash and cash equivalents	87.61	(7,299.09)
Cash and cash equivalents at the beginning of the year	10,076.58	17,375.67
<b>Cash and cash equivalents at the end of the year</b>	<b>10,164.19</b>	<b>10,076.58</b>

For and on behalf of the Board of Directors

  
**Soya.K**  
Financial Controller

  
**Premnath Ravindranath**  
Executive Director

  
**Anil Kumar Parameswaran**  
Director

  
**Sanjay Kaul**  
Chairman & Managing Director

As per our report of even date  
For **M/s. Krishnan Retna & Associates**  
Chartered Accountants, Firm Reg No: 0015365



Place: Thiruvananthapuram  
Date: 26.05.2022

**Nikhil R Kumar**  
Partner, M No: 231162



# PROFORMA - I

## SECTOR WISE LOAN OUTSTANDING AS ON 31.03.2022

₹ in Lakh

PARTICULARS	STANDARD		SUB STANDARD		TOTAL	
	NO OF LOANS	AMOUNT	NO OF LOANS	AMOUNT	NO OF LOANS	AMOUNT
CRE	145	25,697.96	18	4,022.06	163	29,720.01
MANUFACTURING	1763	1,57,041.19	357	1,410.04	2120	1,58,451.23
SERVICE	3688	2,76,800.82	269	10,099.35	3957	2,86,900.17
Grand Total	5596	4,59,539.96	644	15,531.44	6240	4,75,071.41

**PROFORMA - II**
**BRANCH WISE BREAKUP OF LOAN OPERATION DURING THE YEAR 2021-22**

(₹ in Lakh)

Branch Name	Sactioned	Disbursed	Recovery	Portfolio
Alappuzha	3,819.20	4,955.09	4,002.42	9,755.19
Ernakulam	28,094.25	18,340.52	70,823.21	34,404.18
Kannur	10,864.94	7,338.64	7,757.21	15,780.75
Kasaragode	18,818.00	21,817.38	21,787.78	42,559.88
Kattappana	6,628.00	3,005.64	2,708.31	7,596.51
Kollam	19,116.65	12,109.36	12,028.38	26,181.57
Kottayam	2,531.00	3,767.40	4,630.99	8,950.12
Kozhikode	15,927.43	16,999.95	14,775.10	32,550.27
Malappuram	15,286.91	13,276.67	13,313.57	21,836.63
Palakkad	4,694.66	4,453.49	6,191.33	12,584.50
Pathanamthitta	3,974.00	3,847.49	5,680.77	11,479.65
Perumbavoor	7,265.40	3,846.54	4,904.29	10,708.05
Thiruvananthapuram	1,30,350.01	83,827.94	52,234.47	1,92,710.49
Thodupuzha	4,851.34	1,739.00	2,291.92	5,278.43
Thrissur	11,940.79	10,790.71	8,932.19	31,750.48
Wayanad	3,516.28	7,404.34	10,984.86	10,944.72
GrandTotal	2,87,678.86	2,17,520.16	2,43,046.80	4,75,071.41

## HIGHLIGHTS OF PERFORMANCE

(₹ in Lakh)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	1	2	3	4	5	6	7	8	9	10
Applications Sanctioned Amount	66139	101173	94745	102599	38531	72393	164495	165788	414649	2,87,679
Disbursement Amount	47594	75473	65709	83836	65527	60023	81579	144615	370921	2,17,520
Recovery Amount	54022	56513	68427	75820	87428	94467	90000	108209	285129	2,43,047
Number of Loan accounts	6114	4196	4498	5264	5497	4439	4231	4884	5985	6240
Balance Outstanding Amount	140143	180037	203818	240019	247411	245179	268401	335190	462113	475071
Authorised Capital	35000	35000	35000	35000	35000	35000	35000	50000	50000	50000
PAID UP CAPITAL										
State Government	20574	20574	21563	21563	21563	21563	22027	33027	42027	42027
SIDBI	613	613	613	613	613	613	613	613	613	613
Others	10	10	10	10	10	10	10	10	10	10
Total	21197	21197	22186	22186	22186	22186	22650	33650	42650	42650
INCOME										
Interest on Loans	25294	26312	30915	29976	35195	36557	40475	38694	45988	48508
Other Income	476	307	167	872	1277	1131	2351	2351	3106	3309
Total	25770	26619	31082	30847	36473	37688	42826	41046	49094	51817
EXPENDITURE										
Interest on Bonds	2111	3419	4675	5454	6917	6677	8129	8950	9165	6943
Interest on Refinance & other borrowings	6590	7078	9278	10921	12599	11847	10014	12381	19963	19617
Fund Raising expenses	241	370	417	526	558	521	451	455	584	2067
Employee benefit expenses	2317	2356	2595	2701	2864	3407	3610	3152	3418	3200
Administrative Expenses	438	574	527	523	503	640	671	713	394	454
TOTAL	11697	13797	17492	20125	23440	23092	22875	25651	33524	32280.89
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Profit / Loss before depreciation	14073	12822	13590	10722	13032	14596	19951	15441	15569	19535
Write off/Provisions										
Depreciation	57	65	53	129	184.37	96	84	199	283	214
Bad debts Written off	2566	4139	4280	5867	12061.13	12481	16767	10715	12385	10139

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	1	2	3	4	5	6	7	8	9	10
Provision for Bad & Doubtful debts/ other assets	1626	1311	3811	2692	0	515	419	1520	1618	5681
Net Profit/Loss (Before Tax)	6683	4134	1437	533	787	1504	2665	3007	1283	3501
Net Worth	38376	41484	42392	42917	43545	44108	45741	58475	68118	69403
Gross NPA (%)	3.51	3.45	7.85	10.57	8.51	6.37	5.77	4.74	3.58	3.27
Net NPA (%)	0.36	0.35	3.71	5.93	4.25	2.03	1.82	1.45	1.48	1.28
Share Capital issued	0	214	989	0	0	0	464	0	0	0
Bonds issued	0	20000	20000	0	25000	0	25000	25000	25000	0
Borrowings from Banks & FIs	25900	30210	32799	56201	35000	67000	60900	197955	332751	354749
Repayment of Bonds	2453	0	0	5000	5000	5000	10000	5150	35683	18030
Repayment of Borrowings from Banks & FIs	28274	22211	24751	23216.7	28753	48037	66054	108044	188752	107701
									Number	Amount
Cumulative Sanction up to 31.03.2022									57525	20,08,399.86
Cumulative Disbursement up to 31.03.2022									58890	16,29,727.16





Handing over of dividend cheque of Rs.1.05 crore By Shri Sanjay Kaul IAS, CMD to Shri K N Balagopal, Hon. Finance Minister, Govt. of Kerala



KFC receiving Fact MKK Nayar Memorial Productivity Award from Kerala State Productivity Council



Inauguration of CMEDP Edition II Scheme by Shri K N Balagopal, Hon. Finance Minister, Govt. of Kerala



Corporate agency with HDFC Life Insurance Co.



Corporate agency with Life Insurance Corporation of India



KFC Annual General Meeting



KFC receiving Metro Food Awards under category 'Best Financial Service Provider for Hospitality Sector'





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